Annual Report 2019

Every Effort Put In Will
Translate Into Gains

利通太平洋金融控股有限公司
Net Pacific Financial Holdings Limited

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CORPORATE PROFILE

Net Pacific Financial Holdings Limited is an investment company that specialises in providing financing services and access to capital to small and medium-sized companies in the People's Republic of China, Hong Kong Special Administrative Region, Australia and beyond.

Our robust business networks and established track record give us the competitive advantage to offer a suite of financing services, including working capital financing via asset-backed loans, as well as mezzanine loans, which are secured by either floating or fixed charge over certain assets or shares of the borrower and/or guaranteed by the major shareholder of the borrower.

As we set our sights on a sustainable growth for our financing business, our focus is on optimising our investments in companies that have good fundamentals and growth potential as and when opportunities arise while maintaining a prudent operational approach. To minimise any downside risks to our Group, investments will be made in the form of convertible loans or preferred shares with capital protection structure.

With long-term stability as our goal, we strive to create value to our clientele by offering strategic and timely financing advisory services, and identify investment opportunities that are built on the Group's specialised financing skills and industry acumen.

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Net Pacific Financial Holdings Limited (the "**Company**" or "**Net Pacific**"), and together with its subsidiaries (the "**Group**"), I am pleased to present the Group's business overview and financial performance for the financial year ended 31 December 2019 ("**FY2019**").

The economic growth of the People's Republic of China (the "**PRC**") continued to slowdown as a result of several factors including the trade war with the United States, declining trade data, slump in manufacturing demand, as well as the outbreak of Covid-19. These factors had prompted the Chinese Government to introduce stimulus plans to help restore trade and manufacturing activities, and domestic consumer spending. Economists have cautioned that the downward trend of the global growth is not expected to ease in the near term[1].

As the business environment in the markets we operate in remains difficult, we continued to review our businesses in the PRC and Hong Kong Special Administrative Region of the PRC ("**HKSAR**") with care and constantly monitored the market conditions in this trying time. During the year, we have also acted on the recoverability of the loans in Australia, which I will update in this message.

FY2019 Key Financial Highlights

In FY2019, the Group's revenue from the Financing Business was recorded at HK$3.8 million.

Other income in FY2019 included a gain of HK$2.1 million arising from the disposal of financial assets at fair value through profit or loss ("**FVTPL**"), while other income in the financial year 31 December 2018 ("**FY2018**") included a gain of HK$4.0 million arising from the reclassification of the financial instruments from available-for-sale financial assets to financial assets, at FVTPL.

Total operating expenses of the Group (comprising marketing and distribution costs and administrative expenses) was lower in FY2019 mainly due to lower payroll related expenses in FY2019, which was partially offset by higher professional fees incurred in the negotiation in relation to the settlement of certain Australian loans with the borrowers.

Other expenses in FY2019 relates mainly to (a) the allowance for impairment loss of HK$8.5 million in respect of the outstanding loan principal receivables from two of the remaining loans, which are still under negotiation, (b) the foreign exchange loss of HK$0.7 million arising from the revaluation of the Group's loan portfolio denominated in Australian Dollars ("**AUD**") as a result of depreciation of AUD against HK$ in FY2019, and (c) change in fair value of HK$0.6 million relating to the financial assets, at FVTPL.

For FY2019, the Group's income tax expense was lower due to a write-back of over provision of income tax expenses in prior years, while the income tax credit of HK$2.5 million in FY2018 included a write-back of over-provision of withholding tax in respect of the interest income from Australian loans in prior years.

As a result, the Group reported a lower loss of HK$10.4 million in FY2019 as compared to a net loss of HK$45.2 million in FY2018.

Update on Loans in Australia

On 25 June 2019, the Group had reached settlements with two of the borrowers located in Australia via its intermediary. Negotiation with the remaining three borrowers are ongoing. From the financial aspect, an allowance for the impairment loss of HK$8.5 million in respect of the remaining three Australian loans have been made in FY2019. The allowance was arrived at based on the latest information available on such loans including the estimated projected value of the underlying developments and the last offer received from the borrowers, which is still under negotiation. The aggregate outstanding principal amount of these loans was approximately AUD4.6 million, which is equivalent to approximately HK$25.16 million.

Embracing Challenges

The ongoing global Covid-19 outbreak will continue to weigh on the world's economy and its outlook.

While the full economic impact from the outbreak of Covid-19 is uncertain, the Chinese Government remains focused on initiating stimulus packages and policies to help boost its domestic consumer spending, as well as pumping liquidity into its banking system to spur lending to businesses and household, according to the South China Morning Post[2]. Sentiment in the HKSAR market will remain weak as business activities continue to be affected by Covid-19 and politics. Through the initiatives to support the PRC's economy, we believe it will continue to spur domestic business activities of small to medium sized companies.

The prospects of the Australian property continue to weaken in light of the economic uncertainties and the Group had ceased to increase its exposure in Australia to focus on the negotiations with the remaining borrowers to recover the its loans.

As the world continues its fight against the Covid-19 outbreak, we must embrace the challenges and adapt to the changing

1 https://www.scmp.com/economy/china-economy/article/3074091/coronavirus-chinas-economy-faces-tough-time-epidemic-set
2 https://www.scmp.com/economy/china-economy/article/3075140/coronavirus-china-pump-us78-billion-banking-system-spur

CHAIRMAN'S MESSAGE

economic landscape. Not only will Net Pacific be making effort to ensure that existing investments and capital are well-managed, the Group will continue to conserve capital for future disbursements. New investment opportunities and financing business will be carefully evaluated and stringent due diligence process will be carried out. The Group will also continue to tap on its management's experience to build a robust business network to offer Net Pacific's financial services to companies in the PRC and HKSAR.

Going forward, we do not expect the global economy to improve within the near term and business trends are set to slow further amidst the Covid-19 outbreak. Nonetheless, the Group maintains its commitment to assess credit risks thoroughly while reviewing its portfolio from time-to-time. In addition, adequate and effective risk management measures are in place to safeguard the Group's interests.

A Note of Thanks

The achievement of Net Pacific can be attributed to the support from our valued shareholders over the years. On behalf of the Board, we extend our thanks to our shareholders and appreciation to our management team, business partners and associates. The world is constantly evolving and new challenges will be here to stay. Let us embrace these challenges and emerge as a better financial services provider for our clients.

Thank you.

Mr Zhou Wen Jie

Non-Executive Chairman

BOARD OF DIRECTORS

ZHOU WEN JIE

Non-Independent Non-Executive Chairman

Mr Zhou Wen Jie ("**Mr Zhou**") was first appointed to the Board on 25 February 2013. Mr Zhou was last re-elected as a Director on 25 April 2018.

Mr Zhou is currently the executive director of Global Metals Limited, which he founded in 1998. Mr Zhou was also the executive director of Zibao Metals Recycling Holdings Plc ("**Zibao**"), a company trading on the Alternative Investment Market ("**AIM**"), a market operated by the London Stock Exchange Plc from 2014 to March 2010. With over 18 years of experience in the industry of recycling of ferrous and non-ferrous metals, Mr Zhou also holds non-executive directorships in various companies involved in the metal recycling business. In addition, he also invests in property developments and investments in the People's Republic of China ("PRC") and Australia, private equity funds in the PRC, fund management and metal recycling related businesses.

Mr Zhou graduated from University of New South Wales, Australia with a Bachelor of Economics (major in Accounting).

Mr Zhou is the brother-in-law of Mr Ben Lee, a Non-Independent Non-Executive Director of the Company.

Mr Zhou is due for re-election as a Director at the forthcoming annual general meeting for the financial year ended 31 December 2019 ("**AGM**") of the Company.

ONG CHOR WEI @ ALAN ONG

Chief Executive Officer and Executive Director

Mr Ong Chor Wei ("**Mr Ong**") was first appointed to the Board on 8 February 2010. Mr Ong was last re-elected as a Director on 26 April 2019.

Mr Ong is currently a non-executive director of Joyas International Holdings Limited (a company listed on the SGX-ST). Mr. Ong is also an independent non-executive director of Nameson Holdings Limited (Stock Code: 1982), Man Wah Holdings Limited (Stock Code: 1999), O-Net Technologies (Group) Limited (Stock Code: 877), Denox Environmental & Technology Holdings Limited (Stock Code: 1452) and Smart Globe Holdings Limited (Stock Code: 8485) respectively, all of which are listed on The Stock Exchange of Hong Kong Limited ("**SEHK**"). Mr. Ong is also a non-executive director of Prosperous Printing Company Limited, a company listed on SEHK. Previously, Mr Ong was a non-executive director of Hong Wei (Asia) Holdings Company Limited (Stock Code: 8191) (a company listed on the Growth Enterprise Market of the SEHK) from 2013 to 2016 and Vico International Holdings Limited (Stock Code: 1621), a company listed on SEHK from 2017 to 2019. Mr Ong was also the non-executive director of Jets Technics International Holdings Limited (a company listed on the SGX-ST) from 2004 to 2013. Mr Ong was also an executive director on a part-time basis of Zibao Metals Recycling Holdings Plc (a company trading on AIM, a market operated by the London Stock Exchange Plc) from 2014 to 2019.

Mr Ong has over 29 years of experience in finance and accounting. He holds a Bachelor of Laws degree from The London School of Economics and Political Science, University of London. He also holds a distance learning degree in Masters in Business Administration jointly awarded by The University of Wales and The University of Manchester. Mr Ong is an associate member of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

BEN LEE

Non-Independent Non-Executive Director

Mr Ben Lee ("**Mr Lee**") was first appointed to the Board as the Non-executive Chairman on 8 February 2010 and was re-designated as a Non-executive Director in February 2013. He was last re-elected as a Director on 26 April 2019. Mr Lee was appointed as a member of Nominating Committee on 13 June 2018.

Mr Lee is currently the chairman of Wang Kei Yip Development Limited. He has over 17 years of experience in the industry of recycling of ferrous and non-ferrous metals and has extensive relationship with major metal recycling companies in the world. He founded various companies involved in the metal recycling business in the PRC and Hong Kong and holds directorship in some of these companies. Mr Lee is the Vice President of Nanhai Resources Recycling Association and was also previously a committee member of the Bureau of International Recycling.

Ben Lee is the brother-in-law of Mr Zhou Wen Jie, the Non-Independent Non-Executive Chairman of the Company.

CHIN FOOK LAI

Non-Independent Non-Executive Director

Mr Chin Fook Lai ("**Mr Chin**") was first appointed to the Board on 9 January 2003. Mr Chin was last re-elected as a Director on 26 April 2019.

Mr Chin has more than 30 years of experience in the plastic injection moulding industry. Mr Chin is currently the Managing Director of Cheso Machinery Pte Ltd, which he joined in 1993. Prior to that, he was the sole proprietor of Cheso Engineering Works for over a decade and held various technical and supervisory positions in the plastic injection moulding industry.

CHEUNG KING KWOK

Lead Independent Non-Executive Director

Mr Cheung King Kwok ("**Mr Cheung**") was first appointed to the Board on 28 April 2015. Mr Cheung was last re-elected as a Director on 25 April 2018. Mr Cheung is also the chairman of the Audit Committee, Risk Management Committee and Nominating Committee and a member of the Remuneration Committee of the Company.

Mr Cheung is currently the managing director of DJS Financial Management Pte Ltd, a company which provides corporate training and financial consultancy services. Mr Cheung is also an independent non-executive chairman of Joyas International Holdings Limited (a company listed on the SGX-ST).

From 2004 to 2013, Mr Cheung had served as an independent director of Jets Technics International Holdings Limited (a company listed on the SGX-ST). In 1991, Mr Cheung joined The Grande Holdings Limited ("Grande") (a company listed on the SEHK) as its chief financial officer of one of its division where he was in charge of financial and treasury management. From 1992 to 1997, Mr Cheung was the Finance Director of Grande, in charge of financial and treasury management, mergers and acquisitions. From 1997 to 2001, Mr Cheung was the executive director of Grande where he was responsible for management, strategic planning and corporate restructuring. He was also appointed directors of various listed subsidiaries of Grande, including Lafe International Holdings Limited (now known as Lafe Corporation Limited) (a company listed on the SGX-ST). From 1984 to 1990, Mr Cheung was an audit manager and senior audit manager of Coopers and Lybrand where he carried out audit, investigations and due diligence reviews.

Mr Cheung obtained a Bachelor of Commerce (Honours) from the University of Manitoba, Canada. He is a member of the Hong Kong Institute of Certified Public Accountants.

FRANCIS LEE FOOK WAH

Independent Non-Executive Director

Mr Francis Lee Fook Wah ("**Mr Francis Lee**") was appointed to the Board on 17 May 2012. Mr Francis Lee was last re-elected as a Director on 27 April 2017. Mr Francis Lee is also the chairman of the Remuneration Committee and a member of the Audit Committee, the Risk Management Committee and the Nominating Committee of the Company.

Mr Francis Lee is currently the chief financial officer of Vibrant Group Limited since April 2019. Mr Francis Lee is also currently an independent director of two other companies listed on the SGX-ST, namely Sheng Siong Group Ltd and Asiaphos Limited and non-executive non independent director of Figtree Holdings Ltd. Mr Francis Lee is also a director of Wise Alliance Investments Ltd, a private equity investment company.

Mr Francis Lee was the chief financial officer of OKH Global Ltd, a company listed on the SGX-ST, from 2015 to 2017. Mr Francis Lee had also served as an independent director of Jes International Holdings Limited from 2012 to 2014 and Metech International Limited from 2012 to 2019, all of which are listed on the SGX-ST. From 2005 to 2011, Mr Francis Lee was an executive director, finance director and chief financial officer of Man Wah Holdings Limited ("**Man Wah**"), a company listed on the SEHK, where he was responsible for the overall accounting functions and matters relating to its corporate regulatory compliance and reporting for the group. He remained on the board of Man Wah as a non-executive director until February 2012. Prior to that from 2001 to 2005, Mr Francis Lee was a credit and relationship manager with Bank of China and also served as an investment and project manager with AP Oil International Ltd. Mr Francis Lee began his career in 1990 in the Commercial Crime Division of the Criminal Investigation Department, where he served as a senior investigation officer, before moving on to OCBC Bank in 1993 as an assistant manager conducting credit analyses and Deutsche Morgan Grenfell Securities as a dealer's representative managing clients' investment portfolios between 1994 and 2001.

Mr Francis Lee graduated from The National University of Singapore with a Bachelor's degree in Accountancy in 1990 and obtained a Master's degree in Business Administration (Investment and Finance) from The University of Hull in 1993. Mr Francis Lee is a Chartered Accountant and a non-practising member of the Institute of Singapore Chartered Accountants. Mr Francis Lee is also a member of the Singapore Institute of Directors.

Mr Lee is due for re-election as a Director at the forthcoming AGM of the Company.

WU HOUGUO

Independent Non-Executive Director

Mr Wu Houguo ("**Mr Wu**") was first appointed to the Board on 25 February 2013. Mr Wu was last re-elected as a Director on 25 April 2018. Mr Wu is also a member of the Audit Committee, the Risk Management Committee, the Nominating Committee and the Remuneration Committee of the Company.

Mr Wu is currently an investment adviser at Hejun Consulting Group, responsible for project management and equity fund raising activities and a lawyer with Beijing Ming Hua Law Office, overseeing the operations of its Guangdong office from 2008. He is also the general manger of Foshan He Yang Investment Management Ltd., Co. from March 2014, and the executive affairs representative appointed by Guangdong He Yang Equity Investment Co. (Limited Partners) from 2014.

Prior to that, from 2005 to 2008, Mr Wu was the chief asset manager with Goal Achievers Limited (a subsidiary of Credit Suisse), principally engaged in non-performing assets, reorganization, financing and other related activities, and from 1997 to 2005, the vice president of the assets security branch of the Bank of China Limited, principally responsible for credit management.

Mr Wu is due for re-election as a Director at the forthcoming AGM of the Company.

CHUNG WAI MAN

Independent Non-Executive Director

Mr Chung Wai Man ("**Mr Chung**") was first appointed to the Board on 13 June 2018, and last re-elected as a Director on 26 April 2019. Mr Chung is also a member of the Nominating Committee of the Company.

Mr Chung is an independent non-executive director of E Lighting Group Holdings Limited (Stock code: 8222), a company listed on SEHK. Previously. Mr Chung was an independent non-executive director (2015 to 2016) and non-executive director of Legend Strategy International Holdings Group Company Limited (Stock Code 1355) (2017) and executive director of Silver Base Group Holdings Limited (Stock Code: 886) (2007 to 2010), all of which are listed on SEHK.

Mr Chung is currently the vice general manager of Huapei Global Capital Limited, a private investment holding company in Hong Kong. He has over 30 years of experience in accounting, taxation and finance and previously took the position of chief financial officer of companies listed on SEHK, including, Legend Strategy International Holdings Group Company Limited (2016 to 2017), and Silver Base Group Holdings Limited (2004 to 2010).

Mr. Chung obtained a Bachelor's degree (honours) in social sciences from the University of Hong Kong in 1989 and a Master's degree in international business management from the City University of Hong Kong in 1998. Mr. Chung became an associate member of the Hong Kong Institute of Certified Public Accountants in 1995 and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom in 1999.

WONG CHUN HUNG

Independent Non-Executive Director

Mr Wong Chun Hung ("**Mr Wong**") was first appointed to the Board on 13 June 2018 and last re-elected as a Director on 26 April 2019. Mr Chung is also a member of the Remuneration Committee of the Company.

Mr Wong has over 10 years' experience in accounting, auditing and consulting. He has been the director of B&C Finance and Corporate Advisory Limited since 2005 and executive director of China Environmental Energy Investment Limited. He is also an independent non-executive director of Asia Pacific Silk Road Investment Co. Ltd. (formerly known as Pacific Plywood Holdings Limited) (Stock Code: 0767), China Healthcare Enterprise Group Limited (Stock Code: 1143) and Landing International Development Limited (Stock Code: 0582), all of which are listed on SEHK.

Mr. Wong graduated from Hong Kong Baptist University with a Bachelor Degree in Accounting. He is a member of the Hong Kong Institute of Certified Public Accountants.

MANAGEMENT TEAM

CHEUNG TING CHOR
Head of Credit

Mr Cheung Ting Chor is the Head of Credit of the Company since 2010 on a part time basis. Mr Cheung Ting Chor is primarily responsible for establishing and developing its financing business and assessing credit proposals.

Mr Cheung Ting Chor is currently the chief financial officer of Wan Kee Group Holdings Limited ("**WK**"),and is responsible for the overall financial and accounting affairs of WK and its subsidiaries since 2017. Mr Cheung Ting Chor was the chief financial officer of Wang Kei Yip ("**WKY**"), responsible for the overall financial and accounting affairs of WKY and its subsidiaries from 2011 to 2017.

Mr Cheung Ting Chor was the managing director with Net Pacific Finance Limited from January 2009 to July 2010, responsible for establishing and developing its financing business. Prior to that, from 1985 to 2008, Mr Cheung Ting Chor held senior executive positions in the corporate and commercial banking departments of various financial institutions, including as the Vice President & Team Manager, Corporate & Investment Banking at DBS Bank (Hong Kong) Limited; the First Vice President, Head of Corporate Asia & Europe at Natexis Banques Populaires, and the Senior Manager, Corporate Banking at Rabobank, Hong Kong. During his employment with the various financial institutions, his primary responsibilities include strategic planning, staff management and training, financial products marketing, credit risk management, budgeting, managing loan portfolios and providing financial advisory on financial corporate restructuring.

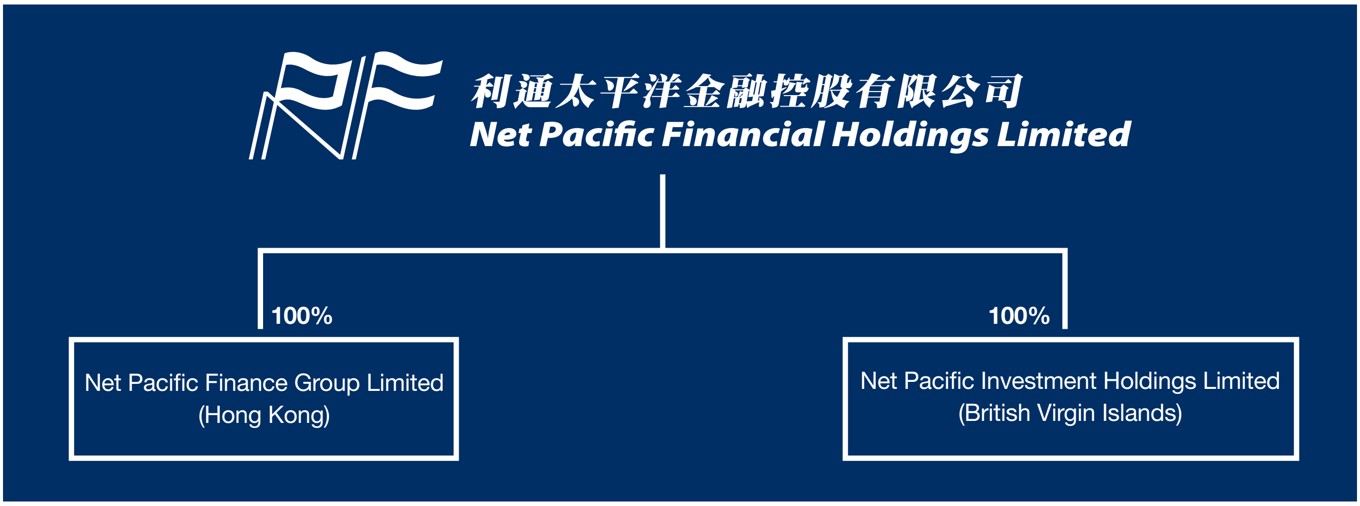
Mr Cheung Ting Chor graduated from the Securities Institute Education, Australia with a graduate diploma in Applied Finance and Investment and also holds a Master's Degree in Business Administration from the Sul Ross State University in Texas, the United States of America. Mr Cheung Ting Chor is also a Fellow of the Financial Services Institute of Australasia.

CHONG KIAN LEE
Financial Controller / Company Secretary

Ms Chong Kian Lee ("**Ms Chong**") is our Financial Controller, and is responsible for the overall financial and accounting functions of the Group. Prior to joining the Group in 2003, Ms Chong held various positions covering auditing, accounting and financial positions in the commercial, manufacturing and public accounting sectors in Singapore and Taiwan.

Ms Chong is a Chartered Accountant with the Institute of Singapore Chartered Accountants and holds a Bachelor of Accountancy degree from the National University of Singapore.

CORPORATE STRUCTURE



CORPORATE GOVERNANCE REPORT

The board of directors (the "**Board**") and the management (the "**Management**") of Net Pacific Financial Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") are committed to maintaining a good standard of corporate governance within the Group by complying with the Code of Corporate Governance 2012 (the "**2012 Code**") and the Code of Corporate Governance 2018 (the "**2018 Code**") to enhance the interests of the Company's shareholders ("**Shareholders**") and to provide corporate transparency.

The Board has set out in this report the Company's corporate governance framework and practices in place in respect of the financial year ended 31 December 2019 ("**FY2019**") with specific references made to each of the principles and provisions of the 2018 Code, certain guidelines of the 2012 Code as may for the time being be applicable, the Practice Guidance issued by the Monetary Authority of Singapore (the "**MAS**") in August 2018 (the "**Guide**") and the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"). The Company has complied with the principles and guidelines as set out in the 2018 Code, the 2012 Code and the Guide, where applicable. Where there are deviations from the 2018 Code, appropriate explanations have been given.

BOARD MATTERS

Principle 1 The Board's Conduct of Affairs

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

Directors are fiduciaries who act objectively in the best interests of the Company and hold Management accountable for performance. The Board is responsible for corporate governance and the overall strategy of the Group. Its role includes: (a) providing entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives; (b) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets; (c) supervising the management of the business and affairs of the Group; (d) identifying the key stakeholder groups and recognise that their perceptions affect the Company's reputation; (e) set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation; and (g) approving the corporate strategy, annual budgets, acquisitions and disposals. In addition, the Board has put in place a code of conduct and ethics, set appropriate tone-from-the-top and desired organisational culture and ensured proper accountability within the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.	Provision 1.1

CORPORATE GOVERNANCE REPORT

Induction, training and development of new and existing Directors Directors understand the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). The Company will provide a formal letter to newly appointed Directors upon their appointment explaining their statutory duties and responsibilities as Directors. The Directors are aware of the importance of their continuing education in areas such as legal and regulatory responsibilities and accounting issues, and will regularly update and refresh themselves on matters that may affect their performance as a Board, or as a Board Committee member at the Company's expense. Accordingly, further training for Directors will extend to relevant new laws, regulations and changing commercial risks from time to time. Updates on corporate governance and/or new regulations and changing commercial risks which are relevant to the Group are circulated to all Board members by the Company Secretaries on a regular basis. Directors are constantly kept abreast of development on the accounting standards and regulatory updates that are of relevance to the Group through articles, reports and updates from the auditors and Company Secretaries, and participation in seminars and workshops. During FY2019, briefings were provided by the external auditors to the Audit Committee members and the Board on the new developments and changes in accounting standards. The Chief Executive Officer routinely updates the Board at Board meeting on business and strategic developments relating to the Company's business operations and the industry that the Company is operating in. Pursuant to Rule 406(3)(a) of the Catalist Rules, where a new Director has no prior experience as a director of an issuer listed on the SGX-ST, the Company has arrangements in place for the new Director to undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. If the Nominating Committee is of the view that training is not required because the Director has other relevant experience, the basis of the Nominating Committee's assessment will be disclosed. New Directors, upon their appointment to the Board, are given an orientation to ensure that they are familiar with the Group's structure, business and corporate governance policies to facilitate effective discharge of their duties. The orientation programme also allows the new directors to get acquainted with the Group's management team, thereby facilitating Board interaction and independent access to the management. There were no new directors appointed in FY2019.	Provision 1.2 Catalist Rules 406(3)(a)
The Board has adopted internal guidelines setting forth matters that require the Board's approval which includes, but is not limited to the developing of significant business plans, acquisitions and disposals of investments, share issuance and the declaration of dividend, the release of the Group's half yearly and full year results and interested person transactions of a material nature exceeding S$100,000. The Board clearly communicates the internal guidelines in relation to matters requiring Board approval in writing to the Management.	Provision 1.3

CORPORATE GOVERNANCE REPORT

As at the date of this corporate governance report, the Board comprises one (1) Executive Director and eight (8) Non-Executive Directors.

Provision 1.4

The Board is supported by the various Board committees namely the Audit Committee (the "**AC**"), the Nominating Committee (the "**NC**"), the Remuneration Committee (the "**RC**") and the Risk Management Committee (the "**RMC**") to assist it in discharging its responsibilities (collectively referred to as the "**Board Committees**"). The Board Committees operate within clearly defined terms of reference and operating procedures setting out their compositions, authorities and duties, including reporting back to the Board. These are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance.

Catalist Rules 406(3)(c)

Catalist Rules 406(3)(e)

Catalist Rules 1204(10B)

Board Composition

The Board comprises of nine (9) Directors as shown in the table below:

Name	Designation	Position	Composition of Board Committees			
			AC	NC	RC	RMC
Zhou Wen Jie	Non-Independent Chairman	Non-Executive	–	–	–	–
Ong Chor Wei @ Alan Ong	Executive Director and Chief Executive Officer	Executive	–	–	–	–
Ben Lee	Non-Independent Director	Non-Executive	–	Member	–	–
Chin Fook Lai	Non-Independent Director	Non-Executive	–	–	–	–
Cheung King Kwok	Lead Independent Director	Non-Executive	Chairman	Chairman	Member	Chairman
Francis Lee Fook Wah	Independent Director	Non-Executive	Member	Member	Chairman	Member
Wu Houguo	Independent Director	Non-Executive	Member	Member	Member	Member
Chung Wai Man	Independent Director	Non-Executive	–	Member	–	–
Wong Chun Hung	Independent Director	Non-Executive	–	–	Member	–

Notes:-

(a) The AC and RMC comprises 3 members, all of whom, including the Chairman, are independent non-executive Directors.

(b) The NC comprises 5 members, all of whom including the Chairman but excluding Mr Ben Lee, are independent non-executive Directors. The Lead Independent Director, Mr Cheung King Kwok, is the Chairman of the NC.

(c) The RC comprises 4 members, all of whom, including the Chairman, are independent non-executive Directors.

Details of the Board Committees are set out as below:

(a) Nominating Committee (Principle 4);

(b) Remuneration Committee (Principle 6);

(c) Risk Management Committee (Principle 9); and

(d) Audit Committee (Principle 10).

CORPORATE GOVERNANCE REPORT

Provision 1.5

The Board meets at least twice each year to review key activities, budget, business and financial performance and approve the release of half-yearly and full year results. Additional meetings are held if there are matters requiring the Board's decision. In addition to physical attendance, Regulation 97 of the Company's constitution (the "**Constitution**") also provides for meetings of the Directors to be conducted via telephone conferencing, video conferencing or other means of simultaneous communication.

Directors attend and actively participate in Board and Board Committee meetings and are free to discuss and openly challenge the views presented by Management and the other Directors.

The attendances of the Directors at the Board and various Board Committee meetings held in FY2019 are as follows:

Name of Director	Board meetings		Board Committees meetings							
			AC		NC		RC		RMC	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Zhou Wen Jie	2	2	–	–	–	–	–	–	–	–
Ong Chor Wei @ Alan Ong	2	2	–	–	–	–	–	–	–	–
Ben Lee	2	2	–	–	1	1	–	–	–	–
Chin Fook Lai	2	2	–	–	–		–	–	–	
Cheung King Kwok	2	2	3	3	1	1	1	1	3	3
Francis Lee Fook Wah	2	2	3	3	1	1	1	1	3	3
Wu Houguo	2	2	3	3	1	1	1	1	3	3
Chung Wai Man	2	2	–	–	1	1	–	–	–	–
Wong Chun Hung	2	2	–	–	–	–	1	1	–	–

Directors with multiple board representations confirm that sufficient time and attention were given to the affairs of the Company in FY2019.

Provision 1.6

The Management circulated Board papers to the Directors prior to each Board meeting on financial, business and corporate issues.

Board members are also provided with management reports on a quarterly basis and updates of on-going developments and strategic plans within the Group and matters requiring the Board's decision. The information provided to the Board includes background or explanatory information relating to matters to be brought before the Board, budgets, forecasts and internal financial statements to enable the Board to make informed decisions in the best interests of the Company and discharge their fiduciary duties and responsibilities.

Provision 1.7

All Directors have separate and independent access to the Company Secretaries and key management personnel at all times to obtain additional information or explanations at the Company's expense. The Directors are given unrestricted access to independent professional advice to advise them on specific issues which may be of concern to the Board, should they consider necessary, at the Company's expense.

The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole. Under the direction of the Chairman, the Company Secretaries' responsibilities include ensuring good information flows within the Board and Board Committees and between the senior management and Non-Executive Directors and advising the Board on all governance matters. The Company Secretaries also facilitate orientation and assist with professional development as and when required. The Company Secretaries attend all meetings of the Board and Board Committees and ensure that board procedures, applicable rules and regulations are followed.

CORPORATE GOVERNANCE REPORT

Principle 2 Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Independent Directors As at the date of this Corporate Governance report, the five (5) Independent Directors comprise Mr Cheung King Kwok, Mr Francis Lee Fook Wah, Mr Wu Houguo, Mr Chung Wai Man and Mr Wong Chun Hung (the "**Independent Directors**"). Mr Cheung King Kwok has been appointed as the Company's Lead Independent Director. An "independent director" is one who is independent in conduct, character and judgement, and has no relationship with the issuer, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the issuer. The Independent Directors are independent according to the 2018 Code.	Provisions 2.1 Catalist Rule 406(3)(d)(i) & (ii)
None of the existing Independent Directors have served on the Board beyond nine (9) years from the date of their first appointment.	Guideline 2.4 of the 2012 Code
As the Chairman of the Board, Mr Zhou Wen Jie, is not independent, the Independent Directors make up a majority of the Board. Hence, the Company complies with provision 2.2 of the 2018 Code. The Board has appointed Mr Cheung King Kwok as the Lead Independent Director to co-ordinate and to lead the independent directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the independent directors and the Chairman.	Provision 2.2
As at the date of this Corporate Governance report, there are eight (8) Non-Executive Directors on the Board, making up a majority of the Board. The Non-Executive Directors comprise Mr Zhou Wen Jie, Mr Ben Lee, Mr Chin Fook Lai, Mr Cheung King Kwok, Mr Francis Lee Fook Wah, Mr Wu Houguo, Mr Chung Wai Man and Mr Wong Chun Hung.	Provision 2.3
The current Board and Board Committees are of appropriate size and comprise of Directors who, as a group provide the appropriate balance and mix of skills, knowledge, experience and other aspects of diversity in order to avoid groupthink and foster constructive debate The current Board composition provides a diversity of skills, experience, and knowledge and is represented in the table below:	Provision 2.4

	Number of Directors	Proportion of Board
Core Competencies		
Accounting or finance	7	78%
Business management	9	100%
Legal or corporate governance	7	78%
Relevant industry knowledge or experience	8	89%
Strategic planning experience	9	100%
Customer based experience or knowledge	7	78%
Information Technology	5	56%
Gender		
Male	9	100%
Female	–	–

CORPORATE GOVERNANCE REPORT

The Board has taken the following steps to maintain or enhance its balance and diversity: (a) The NC conducts an annual review to assess whether the existing attributes and core competencies of the Board are complementary and whether the existing attributes and core competencies of the Board enhance the efficacy of the Board; and (b) An annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The Board reviews the size of the board regularly, taking into consideration the nature and scope of business as well as the current and future plans of the Group, and is of the view that the current Board size of nine (9) Directors, of which five (5) are Independent Directors, is appropriate and effective. The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the reappointment of incumbent Directors.	
Non-Executive and Independent Directors, led by the Lead Independent Director, met as and when necessary. without the presence of Management in FY2019. They also review the performance of the Group's management team in meeting goals and objects and monitoring the reporting of performance. The Lead Independent Director provided feedback to the Board and/or Chairman as appropriate.	Provision 2.5

Principle 3 Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The role of the Non-Independent Non-Executive Chairman of the Board and the Chief Executive Officer (the "**CEO**") are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. Mr Zhou Wen Jie, the Non-Independent Non-Executive Chairman of the Board, is responsible for the workings of the Board and ensures the Board's compliance with the corporate governance process. In particular, the Chairman's duties include: (a) setting out the corporate directions of the Company; (b) leading the Board to ensure its effectiveness on all aspects of its role; (c) setting the agenda for Board meetings and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues; (d) promote a culture of openness and debate at the Board; (e) ensuring accurate, timely and clear information flow to Directors; (f) ensuring effective Shareholders' communication; (g) encouraging constructive relations between the Board and Management; (h) facilitating effective contribution of Non-Executive Directors; (i) encouraging constructive relations between the Executive Director and Non-Executive Directors; and (j) promoting high standards of corporate governance.	Provision 3.1
Mr Ong Chor Wei @ Alan Ong, the CEO of the Group, is primarily responsible for the Group's day-to-day operations, strategic planning, major decision-making as well as developing the business and vision of the Group.	Provision 3.2
The Board has established and set out in writing the division of responsibilities between the Chairman and the CEO. Mr Zhou Wen Jie and Mr Ong Chor Wei @ Alan Ong are not immediate family members.	Catalist Rule 1204(10A)

CORPORATE GOVERNANCE REPORT

The Board has appointed a Lead Independent Director, Mr Cheung King Kwok, to provide leadership in situations where the Chairman is conflicted. Mr Cheung King Kwok was available to Shareholders where they had concerns and for which contact through the normal channels of communication with the Chairman or Management were inappropriate or inadequate.	Provision 3.3

Principle 4 Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

The Board has established a Nominating Committee ("**NC**") to make recommendations to the Board on relevant matters. According to the terms of reference of the NC, the NC is responsible for, among others, the following: (a) reviewing the succession plans for Directors, in particular, the appointment and/or replacement of the Chairman, the CEO and key management; (b) recommending the process and criteria for evaluation of the Board's performance and evaluating the effectiveness and performance of the Board and Board committees and the contribution by each Director to the effectiveness of the Board; (c) reviewing the Board structure, size and composition regularly; (d) reviewing training and professional development programs for the Board and its Directors; (e) reviewing the succession plans for Directors and recommending to the Board on any new appointments and re-appointments of Directors, having regard to the Directors' contribution, performance and ability to commit sufficient time and attention to the affairs of the Company; and (f) determining the independence of Directors on an annual basis in accordance with the guidelines set out in the 2018 Code and the Catalist Rules.	Provision 4.1 Catalist Rules 406(3)(e)
The NC comprises five (5) Directors, of which four (4) are Independent Directors:	Provision 4.2

Name of Director	Position
Cheung King Kwok	Chairman, Lead Independent Non-Executive Director
Francis Lee Fook Wah	Member, Independent Non-Executive Director
Wu Houguo	Member, Independent Non-Executive Director
Chung Wai Man	Member, Independent Non-Executive Director
Ben Lee	Member, Non-Independent Non-Executive Director

The Lead Independent Director, Mr Cheung King Kwok, is the Chairman of the NC.

Selection and appointment of Directors The Company has a process for selection and appointment of Directors to the Board. In the event that a vacancy on the Board arises, the NC will evaluate the balance of skills, knowledge and experience on the Board in order to identify the essential and desirable competencies of the candidate. Suitable candidates are sourced through the recommendations of the Directors or the management or through other external sources. The NC will ensure that the new Director possesses the necessary skills, knowledge and experience that could facilitate the Board in the making of sound and well considered decisions before recommending its choice to the Board. The Board would consider the above factors in identifying potential director nominees, including from a diversity perspective, so as to work towards achieving an appropriate balance and diversity of skills, experience, gender and knowledge of the Company. Upon appointment, arrangements will be made for the new Directors to attend various briefings with the management team.	Provision 4.3

CORPORATE GOVERNANCE REPORT

Re-appointment of Directors In reviewing the nomination and re-appointment of the retiring Directors, the NC considers the existing attributes and core competencies of each of the retiring Directors, the performance and contributions of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and effort devoted to the Group's business and affairs, especially the contributions made by these Directors. All the directors have submitted themselves for re-appointment at least once every three years. The NC, with Mr Francis Lee Fook Wah and Mr Wu Hou Guo abstaining from the deliberations, has recommended to the Board the re-election of Mr Zhou Wen Jie, Mr Francis Lee Fook Wah and Mr Wu Hou Guo who are retiring by rotation pursuant to Regulation 89 of the Constitution at the forthcoming annual general meeting for the financial year ended 31 December 2019 ("**AGM**"). The Board, to the best of their knowledge, is not aware of any relationships (including immediate family relationships) between Directors who are recommended to the Board to stand for re-election at the forthcoming AGM and the rest of the Directors save for Mr Zhou Wen Jie, who is the brother-in-law of Mr Ben Lee, a Non-Independent Non-Executive Director of the Company. Further details on the directors standing for re-election can be found on pages 3 to 8 and 24 to 32 of this Annual Report.	
The Board, as recommended by the NC, has reviewed and determined that the Independent Directors are independent in accordance with the Catalist Rules and the 2018 Code.	Provision 4.4
The NC ensures that new Directors are aware of their duties and obligations. The NC has reviewed the individual Director assessment conducted for FY2019 and the Directors' overall conduct and participation at the Board meetings in FY2019 to assess the performance of each individual Directors. The NC, after taking into account of the individual Director's assessment results and the Director's participation of meetings, has reviewed and is satisfied that all the Directors who sit on multiple boards have been able to and have devoted sufficient time and attention to the affairs of the Company and have adequately carried out their roles and discharged their duties as Director of the Company, notwithstanding their multiple board representations and directorships in other listed companies. In deriving at this conclusion, the NC also took into consideration the factor that all Directors with multiple Board representation was available as and when the Company required the Directors to attend to the affairs of the Company. Notwithstanding that some of the Directors were unable to attend the annual general meeting for FY2018, the NC is of the view that the active participation and the readiness of the Directors to attend to the affairs of the Company was key in displaying their ability to discharge their duties effectively during FY2019. The Directors have also made a commitment to be readily available to shareholders going forward through attending the general meetings via video conference whenever they have unforeseen circumstances which may result in them being unable to physically attend the general meetings. For the foregoing reasons, the NC is satisfied that in FY2019, all Directors including Directors with multiple board representations and other principal commitments have diligently discharged their duties in FY2019. The listed company directorships and principal commitments of each Director have been disclosed under the "Profile of Directors" section of this Annual Report.	Provision 4.5

Principle 5 Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.

The NC has recommended for the Board's approval the performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual Director of the Board. The effectiveness of the Board is evaluated based on the Board's performance which takes into consideration the Board's conduct of meetings, maintenance of independence, board accountability, communication with management, etc. The NC also assesses the performance of individual Directors based on their attendance at the Board and Board committee meetings, their quality of participation and contributions at the Board and Board Committee meetings. Performance evaluation is carried out by way of assessment surveys completed by the Directors and through discussions on the results of the assessment surveys. The Chairman of the Board, in consultation with the NC, acts on the results of the performance evaluation, and where appropriate, proposes new appointments or seeks the resignation of Directors. The NC has assessed the performance of the overall performance of the current Board and Board Committees as well as the effectiveness of individual Director during the financial year under review, and is of the view that the performance of the Board as a whole, that of the Chairman, the Board Committees and individual Director have been satisfactory. During FY2019, the Board has not engaged any external facilitator to advise on assessment processes or related matters.	Provisions 5.1 & 5.2

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Principle 6 Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC is responsible for reviewing and making the following recommendations to the Board on the following: (a) an appropriate framework of remuneration policies for the Board and key management personnel to ensure that the remuneration packages are competitive within the industry. This is to attract, retain and motivate Directors and key management personnel of the required experience and expertise; and (b) specific remuneration packages for each individual Directors and key management personnel. The RC considers all aspects of remuneration, including termination terms, to ensure that they are fair.	Provisions 6.1 & 6.3 Catalist Rules 406(3)(e)
The RC comprises four (4) Directors, of which all are Independent Non-Executive Directors : **Name of Director** — **Position** Francis Lee Fook Wah — Chairman, Independent Non-Executive Director Cheung King Kwok — Member, Lead Independent Non-Executive Director Wu Houguo — Member, Independent Non-Executive Director Wong Chun Hung — Member, Independent Non-Executive Director The RC Chairman, Mr Francis Lee Fook Wah, is an Independent Director.	Provision 6.2
In FY2019, the Company did not engage any external remuneration consultant to advise on remuneration matters.	Provision 6.4

Principle 7 Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Except for Cheung Ting Chor who was paid an annual incentive bonus, the Executive Director and key management personnel of the Group were paid a fixed salary and an annual incentive bonus. The fixed salary and annual incentive bonus for the Executive Director and key management personnel are reviewed by the RC and approved by the Board and are determined based on assessment of individual's commitment, contribution, relevant experience, year of service etc. among other factors. It is structured to link an appropriate proportion of rewards to the Company and individual performance. The remuneration framework for Directors and key management personnel is aligned with the interests of Shareholders and other stakeholders and appropriate to attract, retain and motivate them to provide good stewardship for the long-term success of the Company. The Company currently does not have contractual provisions in employment contracts to allow the Company to claim for incentive components of remuneration from its Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The Executive Directors and key management personnel owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Directors and key management personnel in the event of such breach of fiduciary duties. The Company shall review the feasibility of having the said contractual provisions in future renewals of service contracts of its Executive Directors and key management personnel as recommended by the 2018 Code.	Provision 7.1
The RC is of the view that the remuneration of Non-Executive Directors is appropriate to the level of contribution, taking into account factors such as effort, time spent and responsibilities by each Non-Executive Director.	Provision 7.2

CORPORATE GOVERNANCE REPORT

The remuneration of the Directors and key management personnel for FY2019 is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long-term.	Provision 7.3

Principle 8 Disclosure on Remuneration

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Amount of remuneration — Provision 8.1

The amount of remuneration (rounded to nearest half-thousand dollars) for the Directors and the breakdown of remuneration (in percentage terms) for the Directors, the CEO and the four (4) key management personnel (who are not also Directors or the CEO) of the Group in office during FY2019 are as follows:

Directors	Amount of remuneration (S$'000)
Zhou Wen Jie (1)	17.5
Ong Chor Wei @ Alan Ong (1) (2)	187.5
Ben Lee (1)	17.5
Chin Fook Lai (1)	17.5
Cheung King Kwok (1)	21.5
Francis Lee Fook Wah (1)	21.5
Wu Houguo (1)	17.5
Wong Chun Hung (1)	17.5
Chung Wai Man (1)	17.5

Breakdown of remuneration(3)	Salary %	Bonus %	Fees(1) %	Other %	Total %
Directors					
Zhou Wen Jie	–	–	100	–	100
Ong Chor Wei @ Alan Ong	64	27	9	–	100
Ben Lee	–	–	100	–	100
Chin Fook Lai	–	–	100	–	100
Cheung King Kwok	–	–	100	–	100
Francis Lee Fook Wah	–	–	100	–	100
Wu Houguo	–	–	100	–	100
Wong Chun Hung	–	–	100	–	100
Chung Wai Man	–	–	100	–	100
Key management personnel (4)					
Below S$250,000					
Kwok Chin Phang (5)	49	41	–	10	100
Cheung Ting Chor	–	100	–	–	100
Chong Kian Lee	70	19	–	11	100
Chin Nyok Tow(6)	62	23	–	15	100

Notes:

(1) The Directors' fees in respect of FY2019 are subject to Shareholders' approval at the forthcoming AGM.

(2) Ong Chor Wei @ Alan Ong is both an Executive Director and the CEO of the Company.

CORPORATE GOVERNANCE REPORT

(3) The remuneration shown in the tables above includes all forms of remuneration from the Company and its subsidiaries including Central Provident Fund contributions. (4) The Company only has four (4) key management personnel. The aggregate total remuneration paid to the four (4) key management personnel of the Group in FY2019 were S$392,000. (5) Mr Kwok Chin Phang has resigned as the Chief Operating Officer of the Company with effect from 30 June 2019. (6) Ms Chin Nyok Tow, who is the sister of Mr Chin Fook Lai, the Company's Non-Executive Director, has resigned as the Administrative Manager of the Company with effect from 31 July 2019. Her remuneration did not exceed S$50,000 in FY2019. <u>Policy and criteria for setting remuneration</u> In reviewing and determining the remuneration packages of the CEO and key management personnel, the RC considers the CEO's and key management personnel's responsibilities, skills, expertise and contribution to the Group's performance when designing their respective remuneration packages. The RC has recommended Directors' fees of S$165,500 for FY2019. The Directors' fees include a base fee of S$17,500 for each Director and additional fees of S$4,000 to the Chairman of AC, RMC, NC and RC for their additional responsibilities as Chairman of the Board Committees. The Board has accepted the RC's recommendations of the Directors' fees for FY2019 and is proposing the same for approval by Shareholders at the forthcoming AGM. Save for Directors' fees which are subject to the approval of the Shareholders at every AGM, the Independent Directors and Non-Executive Directors do not receive any remuneration from the Company.	
Save as disclosed above under Note 6 of Provision 8.1, there are no other employees who are substantial shareholders of the Company, or are immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during FY2019.	Provision 8.2
There were no termination, retirement and post-employment benefits that was granted to Directors, the CEO and the key management personnel in FY2019, other than the standard contractual notice period termination payment. <u>Employee Share Option Scheme</u> The Company has adopted the Net Pacific Employee Share Option Scheme (the "**Scheme**"), which was approved by Shareholders on 15 February 2011. In FY2019, there were no Options granted under the Scheme. Please refer to the Directors' Statement for more details in relation to the Scheme.	Provision 8.3 Catalist Rule 1204(16) Catalist Rule 851

ACCOUNTABILITY AND AUDIT

Principle 9 Risk Management and Internal Control

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of those systems, including financial, operational, compliance and information technology controls, on an annual basis. The internal control and risk management functions are performed by the Group's key management personnel. **Risk Management Committee ("RMC")** The Board has tasked the RMC with the overall responsibility of overseeing the risk management activities of the Group.	Provision 9.1

CORPORATE GOVERNANCE REPORT

The RMC as at the date of this Corporate Governance report comprises Mr Cheung King Kwok (Chairman), Mr Francis Lee Fook Wah and Mr Wu Houguo, all of whom are Independent Non-Executive Directors and also members of the AC. The key role of the RMC is to assist the Board in discharging its responsibility in relation to overseeing the risk management activities of the Group, approving appropriate risk management procedures and measurement methodologies as well as identify and manage of business risks of the Group. All material and significant matters are reported to the Board by the RMC. The RMC operates within clearly defined written terms of reference setting out its compositions, authorities and duties. At each Board meeting, the Chairman of the RMC will report all material and significant matters in relation to risk management to the Board. The RMC is assisted by the Credit Committee ("**CC**") in reviewing and updating the Board on the Group's loan portfolio such as the background of the borrowers and the risk exposure of the Group. The CC is headed by Mr Cheung Ting Chor and comprises three (3) other members, namely Mr Zhou Wen Jie, Mr Ong Chor Wei @ Alan Ong and Mr Ben Lee. Mr Kwok Chin Phang resigned as a member of the CC with effect from 30 June 2019. The CC updates the RMC on a quarterly basis on the Group's loan portfolio and risk exposure. In FY2019, the RMC reviewed and updated the Board on the Group's loan portfolio, the background of the borrowers and the risk exposure of the Group on a quarterly basis and whenever there were new loans submitted for review and approval. The Board regularly reviewed and improved its business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. In addition, whenever there were new projects, all necessary steps to manage risks in projects was taken with assistance of the finance team of the Group. In the course of the annual statutory audit of the financial statements, the external auditors also obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. The Company works with the external auditors on their recommendations to improve the internal controls system. Based on the internal controls established and maintained by the Group, works performed by the external auditors and internal auditors, and reviews performed by management, various Board Committees and the Board, the Board is of the opinion, with the concurrence of the AC and RMC, that the Group's internal controls and risk management systems were adequate and effective in FY2019.	Catalist Rule 1204(10)
The Board has received the following assurances from the CEO and the Financial Controller: (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) that the Group's risk management and internal control systems in FY2019 were effective and adequate.	Provision 9.2

Principle 10 Audit Committee

The Board has an Audit Committee ("AC") which discharges its duties objectively.

The AC has a written terms of reference and its duties and responsibilities include, among others, the following: (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance; (b) reviewing at least annually the adequacy and effectiveness of the Company's internal controls and risk management systems;	Provision 10.1 Catalist Rules 406(3)(e)

CORPORATE GOVERNANCE REPORT

<table>
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(c) reviewing the assurance from the CEO and the Financial Controller on the financial records and financial statements;

(d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function; and

(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.
</td><td></td></tr>
<tr><td>
The AC comprises the following members, all of whom, including the Chairman of the AC, are Independent Directors:

<table>
<tr><th>Name of Director</th><th>Position</th></tr>
<tr><td>Cheung King Kwok</td><td>Chairman, Lead Independent Non-Executive Director</td></tr>
<tr><td>Francis Lee Fook Wah</td><td>Member, Independent Non-Executive Director</td></tr>
<tr><td>Wu Houguo</td><td>Member, Independent Non-Executive Director</td></tr>
</table>
The AC, including the Chairman of the AC, have the recent and relevant accounting and financial management expertise and experience. They attend courses and seminars to keep abreast of changes to accounting standards and other issues which may have a direct impact on financial statements, as and when necessary. During FY2019, briefings were also provided by the external auditors to the Audit Committee members and the Board on the new developments and changes in accounting standards.

In FY2019, the external auditors briefed the AC on new and changes in accounting standards.
</td><td>Provision 10.2</td></tr>
<tr><td>
None of the AC members were former partners or the directors of the Company's existing audit firm or auditing corporation within a period of two (2) years commencing on the date of their ceasing to be a partner of the existing audit firm or director of the auditing corporation. None of the AC members holds any financial interest in the external audit firm.
</td><td>Provision 10.3</td></tr>
<tr><td>
<u>Internal audit function</u>

The Company has outsourced its internal audit function to an independent external professional accounting firm, David Ho & Company, which has met the Hong Kong Financial Reporting Standards set by the Hong Kong Institute of Certified Public Accountants for the review of internal controls of the Group in FY2019.

The internal auditor reports to the AC, which decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC, and has appropriate standing within the Company.

The AC is satisfied that the internal audit function in FY2019 is independent, effective and adequately resourced.
</td><td>Provision 10.4

Catalist Rule 719(3)

Catalist Rule 1204(10C)</td></tr>
<tr><td>
The AC has met with the Company's external auditors without the presence of Management at least once in FY2019 to review the scope and results of the audit, as well as the independence and objectivity of the external auditors.

The AC has met with the Company's internal auditors without the presence of Management at least once in FY2019 to discuss on the findings of the internal audit, and to review the effectiveness of actions taken by Management on the recommendations made by the internal auditor.
</td><td>Provision 10.5</td></tr>
<tr><td>
The Company's external auditors are Foo Kon Tan LLP. The Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to the appointment of auditors. All of the Company's subsidiaries are audited by Foo Kon Tan LLP for consolidation purpose and Foo Kon Tan LLP is registered with the Accounting and Corporate Regulatory Authority of Singapore.
</td><td>Catalist Rules 712 and 715</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

The fees relating to the provision of non-audit services payable to the corporate finance arm of the external auditors, Foo Kon Tan LLP, amounts to S$3,000 during FY2019, and the amount payable to the external auditors relating to the provision of audit services for FY2019 amounted to approximately S$95,000. The aggregate amount of fees payable to the external auditors and its associate firm for FY2019 amounted to S$98,000. Having reviewed the non-audit services rendered by the external auditors during FY2019 as well as the fees paid, the AC is satisfied and is of the opinion that the non-audit services provided by the associate firm of Foo Kon Tan LLP would not affect the independence of the external auditors and has recommended the re-appointment of Foo Kon Tan LLP as the Company's external auditors at the forthcoming AGM to the Board.	1204(6)

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11 Shareholder Rights and Conduct of General Meeting

The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

There was only one general meeting held in FY2019 which was an annual general meeting ("**FY2018 AGM**"). A scrutineer was appointed by the Company to explain the rules, including the voting procedures to the Shareholders at the FY2018 AGM to enable the Shareholder to participate effectively in and vote. Shareholders were given the option to appoint one (1) or two (2) proxies to attend and vote instead of the Shareholder. In addition, where a member is a relevant intermediary (as defined under Section 181 of the Companies Act, as amended), such member was entitled to appoint more than two (2) proxies to attend and vote in his stead. To solicit and understand the views of Shareholders, the Board welcomed questions from Shareholders who wish to raise issues either informally or formally before or at the FY2018 AGM.	Provision 11.1
Separate resolutions were tabled at the FY2018 AGM on each separate issue. All resolutions at general meetings were put to vote by poll so as to better reflect Shareholders' shareholding interests and ensure transparency. The results of the poll voting on each resolution tabled at general meetings was announced after the FY2018 AGM via SGXNET.	Provision 11.2
The external auditors were present at the FY2018 AGM to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Except for Zhou Wen Jie, Ong Chor Wei @ Alan Ong and Ben Lee, the other directors were unable to attend FY2018 AGM due largely to other business or family commitments on the same day, for which they were unable to re-schedule. The Directors understand the importance of attending the annual general meetings to be available to attend to shareholders' queries and to communicate with shareholders. As most of the Directors of the Company ordinarily resides outside of Singapore, the Company will make the necessary arrangements for directors to attend the annual general meetings via video conferencing for Directors who are travelling or who are unable to physically attend the annual general meetings in Singapore. As mentioned under Provision 4.5, notwithstanding that multiple Directors were unable to attend the AGM for FY2018, the NC and the Board is of the view that the Directors were able to discharge their duties as Directors of the Company effectively for the reasons given under Provision 4.5.	Provision 11.3
Pursuant to Regulation 73 of the Company's Constitution, Shareholders who are unable to vote in person at any general meeting may, subject to the approval of the Directors, have the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.	Provision 11.4
The Company recorded substantial and relevant comments or queries from shareholders relating to the agenda of the FY2018 AGM and responses from the Board and Management. Copies of the minutes were available to Shareholders upon request. The minutes of the annual general meeting for the FY2018 AGM has been uploaded on the Company's corporate website at www.netpac.com.sg.	Provision 11.5
The Company does not have a fixed dividend policy. The form, frequency and the amount of dividend will depend on the Group's earnings, financial position, financial needs, expansion plan and other factors which the Board may deem appropriate. No dividend was declared or recommended for FY2019 because the Group was not profitable in FY2019.	Provision 11.6 Catalist Rules 704(23)

CORPORATE GOVERNANCE REPORT

Principle 12 Engagement with Shareholders

The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

The Company's corporate website is a key source of information for the investment community. It contains a wealth of investor-related information on the Company, including its business, contact details, financial results, annual reports, press releases, and announcements which the Company release via SGXNET from time to time. The Company seeks to ensure that Shareholders are sufficiently informed of changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares. Further, the Company is fully committed to corporate governance and transparency by disclosing to its stakeholders, including its Shareholders, as much relevant information as is possible, in a timely, fair and transparent manner as well as to hearing its Shareholders' views and addressing their concerns. All material information on the performance and development of the Group and of the Company is also disclosed in a timely, accurate and comprehensive manner through SGXNET, press releases and the Company's website. The Company does not practice selective disclosure of material information. All materials on the Company's financial results are available on the Company's website – www.netpac.com.sg. In addition to further encourage and promote communications with Shareholders and the investment community, Shareholders and the investment community are invited to send emails queries to the senior management at webmaster@netpac.com.sg.	Provision 12.1
The Company has an investor relations policy which allows for an ongoing exchange of views so as to promote regular, effective and fair communication with shareholders. The Company's senior management facilitates the Company's communications with shareholders on a regular basis, to attend to their queries or concerns as well as to keep shareholders apprised of the Group's corporate development and financial performance. Shareholders with queries may reach the Company with questions by writing to webmaster@netpac.com.sg. The senior management will inform the Board of Directors upon receipt of shareholders' queries to keep the Board of Directors apprised of the issues raised by the shareholder and will endeavour to respond to shareholders' queries as soon as practicable after due discussion with the Board of Directors.	Provisions 12.2 & 12.3

MANAGING STAKEHOLDERS RELATIONSHIPS

Principle 13 Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Company has implemented appropriate channels to identify and engage with its material stakeholders. It recognises the importance of having intimate knowledge of its business and regular interactions with its stakeholders to determine material issues for its business. Such arrangements include maintaining the Company's website, which is kept updated with current information to facilitate communication and engagement with stakeholders. The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include employees, contractors and suppliers, government and regulators, community, and shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders such as through the Company's website. The Company welcomes the stakeholders to write to webmaster@netpac.com.sg wherein the senior management will address the stakeholders' queries as appropriate.	Provision 13.1

CORPORATE GOVERNANCE REPORT

In FY2019, the Company has maintained the Company's website to keep the stakeholders updated of developments as disclosed under Provision 12.1 above and was available to answer queries from stakeholders through the webmaster@netpac.com.sg.	Provision 13.2
The Company maintains a current corporate website, www.netpac.com.sg, to communicate and engage with stakeholders.	Provision 13.3

Company's Compliance or Explanation	Catalist Rule
Dealing in Company's Securities In FY2019, the Management circulated reminders to Directors and officers of the Company via emails on the following: (a) dealings in securities at the relevant period to the Directors, management and officers of the Company who have access to price sensitive information in FY2019; (b) that an officer should not deal in the Company's securities on short-term considerations; and (c) that the directors and its officers should not deal in the Company's securities during the period commencing one month before the announcement of the Company's financial statements during the financial period of 6 months ended 30 June 2019 and the full-year ended 31 December 2019. The Company, its Directors and executives were also advised to observe insider trading laws at all times even when dealing in the Company's securities within the permitted trading period and not to deal in the Company's securities on short-term considerations.	1204(19)
Sustainability Reporting The Group recognises the importance of sustainability that creates long-term value to our stakeholders by embracing opportunities and managing risks derived from the environment, social developments and governance. The Group is committed towards implementing sustainable practices in order to achieve the right balance between the needs of the wider community and the requirements of stakeholders and business growth. Our 2019 Sustainability Report can be found at pages 33 to 36 of this Annual Report.	711A
Material Contracts and Interested Person Transactions ("IPTs") There were no material contracts entered into by the Company or any of its subsidiaries in FY2019 involving the interests of any Directors or controlling Shareholders of the Company either still subsisting as at the end of the financial year under review or if not subsisting, were entered into since the end of the previous financial year. There were no IPTs with value of S$100,000 and more entered in FY2019. **Conflicts of Interests** All Directors have a duty to disclose their interests in respect of any transaction in which they have any personal material interest or any actual or potential conflicts of interests (including a conflict that arises from their directorship or employment or personal investment in any corporation). Upon such disclosure, such Directors will not participate in any proceedings of the Board or the Committee (as the case may be) and shall abstain from voting in respect of any such transaction where the conflict arises. Since FY2013, the Group has expanded its loan portfolio to include companies in Australia. Prior to FY2016, all of the Group's loans in Australia were disbursed through an intermediary, Jetwin Investment Pty Ltd ("**Jetwin**"). Mr Zhou Wen Jie ("**Mr Zhou**"), the Company's Non-Executive Chairman and a Controlling Shareholder, has also been extending loans to companies in Australia through Jetwin. Certain loans that Mr Zhou has made in the past were to the same borrowers of the loans extended by the Group. In respect to certain of such loans, Mr Zhou was also appointed to the board of the borrower as a nominee of the Group to safeguard the Group's interests. There were no new loans with similar arrangements disbursed by the Company and Mr Zhou since FY2016. Mr Zhou has confirmed to the Company that save for his loans to the borrowers (which were made on the same terms as the Group's loans) and his directorship on the board of certain borrowers (in the capacity as a nominee of the Group), he has no other interests in the borrowers and does not have any executive or operational role in these companies. Mr Zhou is a businessman who operates metal recycling businesses and is also an investor. He had granted the loans to the borrowers in the past in his own private capacity as he had excess cash resources. There was no agreement, understanding or arrangement in respect of the loan transactions, whether formal or informal, between the Company or any of its subsidiaries and Mr Zhou and each party evaluated the investment merits and credit worthiness of the borrowers independently on their own.	1204(8) 1204(17)

CORPORATE GOVERNANCE REPORT

In view of the materiality of the Australian market to the Group and to mitigate any potential conflicts of interest (perceived or otherwise) arising from Mr Zhou's loans to the same borrowers as the loans of the Group in Australia, the following measures have been put in place: (i) Pursuant to a deed of undertaking dated 16 March 2016 ("**Undertaking**"), Mr Zhou has undertaken to the Company that for so long as the Company remains listed on the Catalist and he and/or his Associates (as defined in the Catalist Rules) remains as a Director or a Controlling Shareholder of the Company: (a) save for the loans already granted by Mr Zhou and/or his Associates and existing as at the date of the Undertaking (the "**Existing Loans**"), he shall not and will procure that his Associates shall not (without the prior written consent of the Company) directly or indirectly, carry on or be engaged or concerned or interested economically or otherwise in any manner whatsoever in such financing business that may compete with the Group in China, Hong Kong and Australia (the "**Territories**"); (b) in respect of the Existing Loans to the same borrowers as the loans of the Group, Mr Zhou shall and will procure that his Associates shall place the interest of the Group above their own personal interest and shall not without the prior consent of the Company, directly or indirectly, take any action which will adversely affect or prejudice the interest of the Group; and (c) in respect of any proposed financing transaction in the Territories in the future which falls within the business scope of the Group, Mr Zhou shall and will procure that his Associates shall grant the Company a right of first refusal. (ii) Each of the Group's loans must be approved by a majority of the Group's Credit Committee members. In the event where a loan, that any Director, Controlling Shareholder or their respective Associates may be interested in, is proposed to the Credit Committee for approval, such interested Director or Controlling Shareholder or their Associates will disclose his interest to the Credit Committee and must abstain from participating in any discussions involving, and voting in, matters in which he may be interested. In addition, such loan transaction to be entered into by the Group shall require unanimous approval of all the other members of the Group's Credit Committee. (iii) The Financial Controller will maintain a register to record all transactions of the Group where a Director or Controlling Shareholder has also extended loans to the same borrower in his own private capacity, and will submit such register for review by the AC on a half-yearly basis to ensure that the terms of such transactions conducted by a Director or Controlling Shareholder and the terms of the Group's transactions are materially the same. The AC has reviewed the above measures put in place and is of the opinion that these measures are sufficient to safeguard the interests of the Company and its minority Shareholders. The AC shall review the procedures at least annually to determine if they continue to be adequate and commercially practicable in ensuring that conflict situations are satisfactorily addressed.	
Continuing Sponsor No fees relating to non-sponsorship activities or services were paid/payable to the Company's continuing sponsor, PrimePartners Corporate Finance Pte. Ltd., during FY2019.	1204(21)

CORPORATE GOVERNANCE REPORT

Key information of Director to be re-elected			
Name of Director	Mr Zhou Wen Jie	Mr Francis Lee Fook Wah	Mr Wu Houguo
Date of appointment	25 February 2013	17 May 2012	25 February 2013
Date of last re-appointment	25 April 2018	27 April 2017	25 April 2018
Age	52	54	47
Country of principal residence	China	Singapore	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the qualifications and experience of Mr Zhou Wen Jie, is of the view that he has the requisite experience and capabilities to assume the responsibilities as a Non-Independent Non-Executive Chairman of the Company. Accordingly, the Board of Directors has approved the re-appointment of Mr Zhou, as a Non-Independent Non-Executive Chairman of the Company.	The Board of Directors, having considered the recommendation of the Nominating Committee and assessed the qualifications and working experience of Mr Francis Lee Fook Wah, is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Independent Non-Executive Director of the Company. Accordingly, the Board has approved the re-appointment of Mr Lee an Independent Non-Executive Director of the Company.	The Board of Directors, having considered the recommendation of the Nominating Committee and assessed the qualifications and working experience of Mr Wu Houguo, is of the view that he has the requisite experience and capabilities to assume the responsibilities as an Independent Non-Executive Director of the Company. Accordingly, the Board has approved the re-appointment of Mr Wu as an Independent Non-Executive Director of the Company.
Whether the appointment is executive and if so, please state the area of responsibility	No	No	No
Job title (e.g. Lead ID, AC Chairman, AC member, etc)	Non-Independent Non-Executive Chairman	Independent Non-Executive Director Chairman of Remuneration Committee Member of Audit Committee, Risk Management Committee and Nominating Committee	Independent Non-Executive Director Member of Audit Committee, Risk Management Committee, Nominating Committee and Remuneration Committee

CORPORATE GOVERNANCE REPORT

Key information of Director to be re-elected			
Name of Director	Mr Zhou Wen Jie	Mr Francis Lee Fook Wah	Mr Wu Houguo
Professional memberships/ qualifications	Bachelor of Economics (Accounting), University of New South Wales, Australia	Bachelor of Accountancy, National University of Singapore Master in Business Administration (Investment and Finance), University of Hull Chartered Accountant and non-practising member of Institute of Singapore Chartered Accountants Member of Singapore Institute of Directors	Bachelor in Jurisprudence, Zhongnan College of Economics, China Master in Law, Zhongnan University of Economics and Law, China Qualified Fund Practitioners, China Legal Professional Qualification, China
Working experience and occupation(s) during the past 10 years	1998 to present **Global Metals Limited** – Executive Director 2014 to 2020 **Zibao Metals Recycling Holdings Plc** - Executive Director	2019 to present **Vibrant Group Limited** – Chief Financial Officer 2015 – 2017 **OKH Global Ltd** – Chief Financial Officer 2005 to 2011 **Man Wah Holdings Limited** – Finance Director (from November 2007), Chief Financial Officer (from July 2005)	2008 to present **Beijing Ming Hua Law Office** – Lawyer
Shareholding interest in the Company and its subsidiaries	119,750,600	1,025,000	No
Any relationship (including immediate family member relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries	Mr Zhou Wen Jie is the brother-in-law of Mr Ben Lee, a Non-Executive Director of the Company.	No	No

CORPORATE GOVERNANCE REPORT

Key information of Director to be re-elected			
Name of Director	Mr Zhou Wen Jie	Mr Francis Lee Fook Wah	Mr Wu Houguo
Conflict of Interest (including any competing business)	Mr Zhou disbursed loans on the same terms and conditions as the Group via an intermediary to the same borrowers of the Group namely, Madeley Development Alliance Pty Ltd, Niche Success Development Pty Ltd ("Niche Success"), Geraldton Project Wells Pty Ltd ("Geraldton"), Rhino Industries Pty Ltd ("Rhino"), Niche Canningvale Development Pty Ltd and Niche Harvest Edge Pty Ltd. Mr Zhou was appointed as a director of some of the borrowers of the Group to protect the interest of the Group subsequent to the disbursement of loans in 2014. The three borrowers are Niche Success, Geraldton and Rhino. Mr Zhou has ceased to be a director of Geraldton and Rhino in 2017.	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) submitted to the Company?	Yes	Yes	Yes
Other Principal Commitments	Past (for the last 5 years) Zibao Metals Recycling Holdings Plc Niche Success Development Pty Ltd Geraldton Project Wells Pty Ltd Rhino Industries Pty Ltd Nicheliving Harvest Lakes Project Pty Ltd Kent Corporation Group Limited	Past (for the last 5 years) Metech International Ltd Jes International Holdings Limited Man Wah Holdings Limited	Past (for the last 5 years) Nil

CORPORATE GOVERNANCE REPORT

Key information of Director to be re-elected			
Name of Director	Mr Zhou Wen Jie	Mr Francis Lee Fook Wah	Mr Wu Houguo
Other Principal Commitments	Present Niche Canningvale Development Pty Ltd Australian Stone Resources Pty Ltd Oakley Construction Pty Ltd 佛山市资宝金属有限公司 Go Taxi Technology Ltd (formerly known as Global Resource Recycling Holdings Limited) Zibao Metals Co Limited 贵溪汇宝金属有限公司 Guixi Huibo Metals Ltd Full Join Holdings Limited Fine Luck Trading Limited 梧州市骏宝金属有限公司 Top Able Enterprises Limited (formerly known as Global Metal Enterprises Limited) Masterpiece Enterprises Limited Vukic Investments Limited 宁波高宝再生资源有限公司 Ningbao Global Recycling Resources Co., Ltd Global Metals America Ltd., Inc Global Metals Limited	Present Figtree Holdings Limited Ececil Pte. Ltd Fervent Logistics Infrastructure (Changzhou) Co., Ltd Fervent V Development Pte Ltd Fervent Industrial Development (Ningbo) Co., Ltd Freight Links Co., Ltd Fervent IV Development Pte Ltd Vibrant Land Pte. Ltd. Tengda Industrial Property (Suzhou) Co., Ltd Fervent Industrial Development (Suzhou) Co., Ltd Sinolink Finance International Limited Sinolink Financial Leasing Co., Ltd Sentosa Capital Pte. Ltd. Vibrant DB2 Pte. Ltd. Shentocil Pte. Ltd. Blackgold Megatrade Pte. Ltd. LTH Logistics (Singapore) Pte Ltd Asiaphos Limited Sheng Siong Group Ltd Wise Alliance Investments Ltd	Present Xin Tai Investments Holding Co., Ltd

CORPORATE GOVERNANCE REPORT

Key information of Director to be re-elected			
Name of Director	Mr Zhou Wen Jie	Mr Francis Lee Fook Wah	Mr Wu Houguo
General Statutory Declaration of Directors			
A) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
B) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
C) Whether there is any unsatisfied judgment against him?	No	No	No

CORPORATE GOVERNANCE REPORT

Key information of Director to be re-elected			
Name of Director	Mr Zhou Wen Jie	Mr Francis Lee Fook Wah	Mr Wu Houguo
D) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
E) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
F) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No

CORPORATE GOVERNANCE REPORT

Key information of Director to be re-elected			
Name of Director	Mr Zhou Wen Jie	Mr Francis Lee Fook Wah	Mr Wu Houguo
G) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
H) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
I) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
J) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-			

CORPORATE GOVERNANCE REPORT

Key information of Director to be re-elected			
Name of Director	Mr Zhou Wen Jie	Mr Francis Lee Fook Wah	Mr Wu Houguo
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	Yes. Mr Francis Lee was the manager of a corporation investigated by the Commercial Affairs Officer in 2006 - 2007 for breach of regulatory requirements/ law governing corporations in Singapore. Mr Francis Lee was not the subject of the investigation. To the best of his knowledge and as far as he is aware, the investigations involved or were related to certain other directors of the corporation. Mr Lee resigned from the company in May 2005 to focus on his other commitments and to pursue other interests.	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No

CORPORATE GOVERNANCE REPORT

Key information of Director to be re-elected			
Name of Director	Mr Zhou Wen Jie	Mr Francis Lee Fook Wah	Mr Wu Houguo
K) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.	Not applicable. This is a re-election of a Director.
Attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange?	N/A	N/A	N/A
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A	N/A	N/A

SUSTAINABILITY REPORT

for the financial year ended 31 December 2019

INTRODUCTION

This Sustainability Report by Net Pacific Financial Holdings Limited ("**Net Pacific**" or the "**Company**", and together with its subsidiaries, the "**Group**") for the financial year ended 31 December 2019 ("**FY2019**") focuses on the material environmental, social and governance ("**ESG**") factors. The Sustainability Report has been prepared in accordance with Rules 711A, 711B and Practice Note 7F: Sustainability Reporting Guide of the Listing Manual (Section B: Rules of Catalist) (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and where applicable to Net Pacific and its businesses, reference has also been drawn from the internationally-recognised Global Reporting Initiative ("**GRI**") Standards and the Singapore Exchange Sustainability Reporting Guide. which represents the global best practice for reporting on a range of economic, environmental and social impacts.

The Group is committed to maintaining our operations in a manner that is economically, socially and environmentally sustainable while balancing the interests of our various stakeholders, including our shareholders and investors, employees, customers etc. The following sections discuss the material ESG factors we have identified through discussions and workshops conducted with key management personnel. The material ESG factors identified have also been reviewed and validated by the Board. As our Company is principally engaged in the provision of financial services in a typical office setup, this Sustainability Report shall discuss the material ESG factors relating to our financial services business.

1. ENVIRONMENTAL

The Group is principally engaged in the provision of financial services in a typical office setup and its business activities do not have significant impact on the environment. We recognise that we have an obligation to reduce the impact of our operations on the environment and are committed to continuously improving our office operations by using resources effectively.

a. Energy Consumption

Electricity Consumption

As we are principally engaged in the financial services business, which is primarily conducted in the typical office environment, we do not consume a significant amount of energy compared to other industries such as manufacturing. Further, since our business only involves essential equipment such as desktop computers and LED lighting, we do not consume a significant amount of electricity. As a result, associated CO2 equivalent emissions is minimal. Being a responsible enterprise, we are committed to minimizing impacts on our environment by implementing measures to raise the awareness of energy-saving amongst our employees.

We are aware that our use of electricity, and in particular, electricity consumed for air-conditioning, can contribute to global warming. Whenever possible, we will encourage our employees to adjust the air-conditioner to an appropriate temperature to maximize energy efficiency and to minimize our consumption of electricity. We will also encourage our employees to turn off their monitors and computers when they leave the office either during office hours for a meeting or at the end of the day to reduce wastage of electricity from idle equipment. Energy conservation reminders are placed to increase employees' awareness of energy saving.

Electricity consumption serves as a main source of energy usage in the building where our office is located. In FY2019, electricity intensity accounted for 15 KWh/m^2 of our total occupied area, meeting our target set of maintaining the electricity intensity of 17KWh/m^2 of our total occupied area. Moving forward, we target to maintain the current energy intensity in the financial year ending 31 December 2020 ("**FY2020**").

Emissions

The operations of our business do not directly consume any fuel nor do we own any vehicles, therefore we do not have associated emissions in relation to gaseous fuels. We encourage our staff to travel by public transportation and/or green vehicles, such as electric cars or hybrid cars, whenever possible, in order to avoid emissions of gaseous fuels. We also encourage employees and clients to participate in discussions via video conferencing to reduce transportation.

Water Consumption

Notwithstanding that we do not consume a significant amount of water in our daily business operations, we recognize that water is a precious resource. The business of the Group is operated in office premises where water supply is centrally managed by the respective property management of the buildings. It is therefore not feasible for the Group to provide the water consumption data. Our employees are reminded to conserve water by turning off the tap after use and to fix dripping taps and water mains promptly.

SUSTAINABILITY REPORT

for the financial year ended 31 December 2019

Waste Generation

Due to our business nature, we do not produce any hazardous waste during the course of our business. We mainly generate non-hazardous waste such as paper, food scraps, plastics and other general waste similar to a typical household or office setting.

In order to reduce paper consumption, we encourage our employees to adapt environmental-friendly printing such as double-sided printing and copying. We also encourage our employees to reuse single sided non-confidential print out, and stationery such as envelopes. Recycling bags are available to collect paper, paper boxes, newspaper and magazines for recycling purposes. All these measures are geared at reducing paper waste which can help mitigate the global greenhouse effect.

b. Creating an Eco-friendly Office

Go Green in the Office

We are committed to build an environmentally friendly office in order to achieve environmental sustainability and more efficient use of resources. We have set up eco-friendly guidelines in our Company and all employees are encouraged to play a part to achieve such eco-friendly goals. Some of the guidelines are shown below:

- Create a paper-less office by using e-mail to communicate and printing on both sides of paper;
- Switch off all lights, air-conditioners and all electronic devices when not in use;
- Use LED lights to save electricity on lighting;
- Set aside containers for collection of paper to reuse and to recycle;
- Optimize the use of natural light and ventilation; and
- Procure energy-efficient electronical appliances.

As seen above, we have been operating with minimal impact to the environment and we endeavour to maintain and improve our protection of the environment via innovation of management model or new technology advancements, where such improvement is practicable for our adoption.

Environmentally Friendly Policy

We spend a sizable amount of time communicating with overseas clients. However, travelling abroad produces carbon footprint that may impact the environment significantly. With the advancement of technology, we can now communicate with overseas clients via video conferencing, email and other online communication tools. Our Company strongly encourages employees to communicate through online platforms, irrespective for internal or external communications with clients. This enables efficient communications, cut costs and make our business environmentally friendly through the reduction of our carbon footprint.

Our short-term strategy for resources consumption is to maintain the current electricity and paper consumption record in the coming years and to monitor the effectiveness of the various environmentally friendly measures implemented by the Group. In the long run, we would maintain our lean business model so that resource consumption can be minimized at the source, and to explore management models, innovations and technological advancements so that we could further minimise the resource consumption, whenever practicable.

2. SOCIAL

a. Employees' Welfare

In Net Pacific, we see our employees as our greatest asset. They help us meet our customers' needs, drive innovation and elevate our business to greater heights. In return, we hope to provide a caring, safe and supportive workplace for our employees. We provide employment welfare beyond statutory requirements for our employees to take care of their needs and improve business relationships. We regularly review the welfare and compensation packages offered to our employees, comparing against those offered by industry players engaged in the same or similar business operations, to ensure that our welfare and compensation packages stay competitive so that we could retain and attract the best talents.

SUSTAINABILITY REPORT

for the financial year ended 31 December 2019

The turnover target was not met as there were resignations in FY2019. Due to the low headcount in the Company, no targets have been set for FY2020 on turnover as it is impractical to do so.

b. Training and Development

Good training and development programs allow our employees to develop skills and knowledge that will improve job performance and enhance career development. Our employees are encouraged to participate in continuing professional development ("**CPD**") programs conducted by external parties and each employee has achieved more than 8 CPD hours in 2019 through participating in various training courses on finance and administration. As CPD programs are important for our business and our employees, we strive to provide similar or more CPD programs for our employees in 2020.

In FY2019, each employee received an average of 15 training hours, meeting the target set of an average of 10 training hours for each employee. In FY2020, we target to maintain the same average training hours as in FY2019.

c. Labour Standards

Our employment and recruitment process strictly adheres to the Employment Ordinance of Hong Kong and Employment Act of Singapore. We carry out detailed pre-employment background checks, procedures and verifications on identity documents of every candidate to ensure that there is no forced or child labour or other persons ineligible for employment are employed. We also avoid working with companies that violate such laws.

There were no incidences of non-compliance with labour standards in FY2019. We target to maintain the record of zero incidence of non-compliance in FY2020.

d. Corporate Citizenship

We have not participated in any community activity in the reporting period. However, we will actively consider organizing or participating in community activities in the future, with active participation by our management and employees as well as monetary contributions. In FY2020, we target to grant leave to our management and employees to participate in volunteering activities.

3. GOVERNANCE

a. Anti-corruption and Integrity

We do not tolerate corruption. Our employees are provided with anti-corruption and practice notes on handling invitations of bribery. Our employees are encouraged to report any suspected corruption practice to the senior management or the board of directors, whoever appropriate. The senior management or board of directors will conduct investigations and if corruption is established, the case will be reported to the relevant authorities in the jurisdiction concerned, such as the Independent Commission Against Corruption for cases in Hong Kong.

We have also adopted a whistleblowing policy to provide a reporting channel for employees to raise concerns over any perceived anomalies concerning internal control, financial reporting, our products and services or other business conducts. After receiving a complaint, our officers will investigate the matter with strict confidence and interview such internal or external party as required. The whistleblowing policy will encourage the reporting of organisational issues in good faith, allowing such issues to be highlighted and rectified where necessary.

There was no whistle-blowing report received in FY2019 and the Company targets the same record for FY2020.

b. Service Responsibility

We are committed to providing high quality services to our clients. The services we provide include, amongst others, the provision of working capital financing, asset-backed loans, mezzanine loans and investments in companies with good fundamentals and growth potential. We strive to ensure that clients' expectations are effectively communicated and that our services comply with relevant laws and regulations in the jurisdiction concerned. We sincerely hope that our provision of financial services will add value to our clients' businesses. Legal compliance and effective communication with our clients are of utmost importance to our business operations as our reputation is of tremendous importance to us, and such compliance and meticulous handling of clients' affairs is a major step in managing regulatory and reputational risks that are inherent in our business.

SUSTAINABILITY REPORT

for the financial year ended 31 December 2019

In addition, our effort and emphasis in communications with our clients and transparency in such communications distinguishes us from our competitors in that our clients are able to rely on our services and products with assurance. This gives us an edge in the long-run, as we foresee that the regulatory framework may impose more stringent requirements on our business, particularly on transparency in future. We are confident that we will be prepared for such requirements when they are being implemented.

c. Privacy and Data Protection

Data protection and privacy are crucial to our business and we take serious measures to ensure security of data. We strictly comply with the Personal Data Protection Act 2012 of Singapore, Personal Data (Privacy) Ordinance of Hong Kong, and other rules and regulations in relation to data protection. As a financial services company, we routinely collect sensitive information from our clients, but such data would only be used for the business commissioned by our clients and would not be used for any other purposes unless explicit prior consent is obtained from our clients. Specific monitoring system has been set up to protect clients' privacy and our employees are briefed about internal guidelines relating to the proper handling of data. Such monitoring system ensures that there will be no data leakage to unauthorized persons, and clients are informed of the identity of the personnel handling their specific cases and that access to their information and data is restricted to the personnel handling the relevant project at the relevant time. This policy also protects employees from accidentally accessing client information irrelevant to their specific tasks, so as to prevent any prohibited or illegal actions such as insider trading from happening.

BOARD STATEMENT

Our Board considers sustainability issues to be an integral part of our strategic formulation. In the preparation of this Sustainability Report, our Board has reviewed and considered among others, the determination of the material ESG factors discussed in this Sustainability Report and has overseen the management in monitoring these material ESG factors.

We hope that the information disclosed in this Sustainability Report read together with information in other sections of the Annual Report will provide the reader with a holistic view of the operations of our Company. We will continue to monitor, review and upgrade our material ESG factors from time to time and improve our Sustainability Report whenever practicable in the future in order to create long-term value for our stakeholders.

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

We submit this statement to the members of the Net Pacific Financial Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

(a) the accompanying financial statements of the Group and the Company are drawn up so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Names of directors

The Directors of the Company in office at the date of this statement are as follows:

Zhou Wen Jie	(Non-executive Chairman)
Ong Chor Wei @ Alan Ong	(Executive director)
Ben Lee	(Non-executive director)
Chin Fook Lai	(Non-executive director)
Cheung King Kwok	(Lead Independent director)
Francis Lee Fook Wah	(Independent director)
Wu Houguo	(Independent director)
Chung Wai Man	(Independent director)
Wong Chun Hung	(Independent director)

Directors' interest in shares or debentures

(a) According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, none of the directors who held office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in the name of directors or nominee		Holdings in which directors are deemed to have an interest	
	As at 1.1.2019	**As at 31.12.2019**	As at 1.1.2019	**As at 31.12.2019**
The Company			**Number of ordinary shares**	
Zhou Wen Jie	119,750,600	**119,750,600**	–	**–**
Ben Lee [1]	–	**–**	120,000,000	**120,000,000**
Ong Chor Wei @ Alan Ong [2]	3,150,000	**3,150,000**	53,700,000	**53,700,000**
Chin Fook Lai	69,022,400	**69,022,400**	–	**–**
Francis Lee Fook Wah	1,025,000	**1,025,000**	–	**–**

Notes:

(1) Mr Ben Lee's deemed interest arose from shares held in the name of Ms Zhou Dan, wife of Mr Ben Lee.

(2) Mr Ong Chor Wei @ Alan Ong is deemed interested in the shares held by Quad Sky Limited, by virtue of him owning 100.0% of the equity interest in Head Quator Limited which in turn owns 50.0% of the equity interest in Quad Sky Limited. Quad Sky Limited owns 53,700,000 shares representing approximately 10.2% of the issued share capital of the Company.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Directors' interest in shares or debentures (Cont'd)

By virtue of Section 7 of the Act, all the above Directors are deemed to have interests in the shares of all the wholly-owned subsidiaries of the Company.

(b) According to the register of Directors' shareholdings, certain directors holding office at the end of the financial year had interests in options ("Options") to subscribe for ordinary shares in the capital of the Company granted pursuant to the Net Pacific Employee Share Option Scheme as set out below and under the paragraph "Share option scheme" of this statement.

	Number of unissued ordinary shares under option	
	As at	**As at**
The Company	1.1.2019	**31.12.2019**
Ong Chor Wei @ Alan Ong	7,000,000	**7,000,000**
Kwok Chin Phang [(1)]	8,000,000	**8,000,000**
Cheung Ting Chor [(1)]	5,000,000	**5,000,000**

Note:

(1) Mr Kwok Chin Phang and Mr Cheung Ting Chor resigned as a director on 13 June 2018. They are entitled to exercise in full all unexercised Options from the date they cease to be a Director until the end of the Option Period on 8 May 2021.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company or its related corporations, either at the beginning or at the end of the financial year.

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2020.

Except as disclosed under the 'Share option scheme' section of this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share option scheme

Net Pacific Employee Share Option Scheme

The Company has a Net Pacific Employee Share Option Scheme (the "Scheme"), which was approved by the members of the Company at an Extraordinary General Meeting of the Company held on 15 February 2011, and provides for the grant of Options to the Directors and confirmed employees of the Company and its subsidiaries to subscribe for ordinary shares in the Company.

The objectives of the Scheme are as follows:

(i) to motivate participants in the Scheme ("Participants") to optimise his/her performance standards and efficiency and to maintain a high level of contribution to the Group;

(ii) to retain key employees whose contributions are important to the long-term growth and prosperity of the Group;

(iii) to instill loyalty and a stronger sense of identification by the Participants with the long-term prosperity of the Group;

(iv) to attract potential employees with relevant skills to contribute to the Group and to create value for the shareholders of the Company; and

(v) to align the interests of the Participants with the interests of the shareholders of the Company.

As at the date of this statement, the Scheme is administered by the Remuneration Committee ("RC") comprising Messrs Francis Lee Fook Wah (Chairman of RC), Cheung King Kwok, Wu Houguo and Wong Chun Hung, all Independent Directors of the Company.

Under the Scheme, the maximum number of shares over which Options may be granted by the RC to Participants, when added to the number of shares that are issued and/or issuable in respect of other share-based incentives scheme of the Company (if any) then in force, shall not exceed 15% of the total issued shares of the Company on the date preceding the date of grant of the Options.

Furthermore, the aggregate number of shares over which Options may be granted by the RC under the Scheme to controlling shareholders of the Company and their associates (as defined in the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("Catalist Rules")) shall not exceed 25% of the shares available under the Scheme, and the number of shares over which an Option may be granted to each controlling shareholder or each of his associate shall not exceed 10% of the shares available under the Scheme.

The Scheme shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing on the date on which the Scheme was adopted by the Company in a general meeting (being 15 February 2011), provided that the Scheme may continue beyond the aforesaid period of time with the approval of members of the Company by ordinary resolution in a general meeting and of any relevant authorities which may then be required.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Share option scheme (Cont'd)

Share Options granted

On 9 May 2011, the Company granted 28,750,000 Options to directors and employees of the Group under the Scheme giving them the right to subscribe for 28,750,000 shares at an exercise price of S$0.035 per share. Of the 28,750,000 Options granted, 8,000,000 Options are exercisable from 9 May 2012 to 8 May 2016 and 20,750,000 Options are exercisable from 9 May 2012 to 8 May 2021. The total fair value of the 2011 Options granted on 9 May 2011 was estimated to be HK$340,000, using the Black Scholes Option Pricing Model. The grant of Options was announced by the Company via SGXNET on 9 May 2011.

The following table summarises the information on the Options granted under the Scheme to Directors and Participants as required to be disclosed under Rule 851(1)(b) of the Catalist Rules:

Name	Options granted during the financial year ended 31.12.2019	Aggregate options granted since commencement of Scheme to 31.12.2019	Aggregate options exercised since commencement of Scheme to 31.12.2019	Aggregate options cancelled since commencement of Scheme to 31.12.2019	Aggregate options outstanding as at 31.12.2019
Directors					
Executive Directors:					
Ong Chor Wei @ Alan Ong (1)	–	7,000,000	–	–	7,000,000
Kwok Chin Phang (5)	–	8,000,000	–	–	8,000,000
Non-Executive Directors:					
Ben Lee (1) (2)	–	5,000,000	–	(5,000,000)	–
Teo Yi-dar (Zhang Yida) (3)	–	1,000,000	–	(1,000,000)	–
Chan Kwong Chung, Bernard (4)	–	1,000,000	–	(1,000,000)	–
Chin Fook Lai (2)	–	1,000,000	–	(1,000,000)	–
Cheung Ting Chor (5)	–	5,000,000	–	–	5,000,000
Sub-total	–	28,000,000	–	(8,000,000)	20,000,000
Participants who received less than 5% of the total available options other than Directors					
Other employees	–	750,000	–	–	750,000
Total	–	28,750,000	–	(8,000,000)	20,750,000

Notes:

(1) Mr Ong Chor Wei @ Alan Ong and Mr Ben Lee are controlling shareholders of the Company. The grant of the Options to Mr Ong Chor Wei @ Alan Ong and Mr Ben Lee was specifically approved by the Company's shareholders at an Extraordinary General Meeting held on 28 April 2011.

(2) Options granted to Mr Ben Lee and Mr Chin Fook Lai expired on 8 May 2016.

(3) Mr Teo Yi-dar (Zhang Yida) resigned as a Director on 28 April 2015.

(4) Mr Chan Kwong Chung, Bernard, resigned as a Director on 15 May 2012.

(5) Mr Kwok Chin Phang and Mr Cheung Ting Chor resigned as a Director on 13 June 2018. They are entitled to exercise in full all unexercised Options from the date they cease to be a Director until the end of the Option Period on 8 May 2021.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Share option scheme (Cont'd)

Share Options granted (Cont'd)

The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other entities in the Group.

Other than the options granted to the controlling shareholders and their associates (as defined in the Catalist Rules) as disclosed above (namely Mr Ben Lee and Mr Ong Chor Wei @ Alan Ong), no options have been granted since the commencement of the Scheme on 15 February 2011 to the end of the financial year to the Company's employees. No options were granted at a discount since the commencement of the Scheme on 15 February 2011 to the end of the financial year.

No options to take up unissued shares of the subsidiaries have been granted during the financial year.

There were no unissued shares of subsidiaries under option as at 31 December 2019.

No shares were issued during the financial year to which this statement relates by virtue of the exercise of the options to take up unissued shares of the Company or any subsidiaries.

Audit Committee

The Audit Committee as at the date of this statement comprises the following members, all of whom are independent directors:

Cheung King Kwok (Chairman)
Francis Lee Fook Wah
Wu Hougou

The Audit Committee performs the functions specified in Section 201B (5) of the Act and the Catalist Rules. In performing those functions, the committee reviewed the following:

(i) overall scope of both the internal and external audits and the assistance given by the Company's officers to the auditor. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

(iii) the half-yearly financial information and the statement of financial position of the Company as at 31 December 2019 and the consolidated financial statements of the Group for the financial year ended 31 December 2019 as well as the auditor's report thereon;

(iv) effectiveness of the Company's material internal controls, including financial, operational and compliance controls and information technology controls and risk management systems via reviews carried out by the internal auditor; and

(v) met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Full details regarding the Audit Committee are provided in the Corporate Governance Report.

In appointing our auditors for the Company, we have complied with Rules 712 and 715 of the Catalist Rules.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

On behalf of the Directors

ZHOU WEN JIE

ONG CHOR WEI @ ALAN ONG

Dated:
15 April 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Net Pacific Financial Holdings Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Net Pacific Financial Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

Accuracy and recoverability of the principal loans to Australian borrowers

As at 31 December 2019, the carrying values of the loans and advances (Note 12) stated on the consolidated financial statements are HK$55,056,000 (2018 - HK$76,466,000). Included in this carrying amount is HK$ 25,156,000 (2018 - HK$41,166,000 for five Australian loans) which comprises of three Australian loans.

As at 31 December 2019, all the principal loans to the Australian borrowers had passed their maturity dates for repayment. In 2019, there was no repayment of principal for all three Australian loans. Management had performed an expected credit loss analysis taking into consideration of the financial performance of the projects undertaken by the Australian borrowers. However, we were unable to establish the accuracy of the cash flows which the Group expects to receive from these Australian borrowers. Furthermore, we were not furnished with the latest financial information of these Australian borrowers for us to evaluate on the recoverability of these loans. In the absence of other satisfactory evidence, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and recoverability of the principal sum of the said loans. Accordingly, we were unable to determine whether adjustments to the loans and advances and the loss for the year reported in the consolidated statement of comprehensive income might be necessary for the year ended 31 December 2019. Please refer to Note 12 for details.

The auditor's report for the financial year ended 31 December 2018 included a similar qualification on the accuracy and recoverability of the principal of HK$41,166,000 for the five Australian loans. Our opinion on the current year's financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and corresponding figures.

Recoverability of amounts due from a subsidiary - Company level

As at 31 December 2019, included in other receivables (Note 15) is a net carrying value of non-trade amounts due from subsidiaries recorded at the Company level of HK$95,125,000 (2018 - HK$143,298,000).

Management had carried out a review of the recoverable amount of the amounts extended to its subsidiaries to determine whether any expected credit loss is required. For the non-trade amounts due from subsidiaries which are repayable on demand, the expected credit loss analysis is based on the assumption that repayment of the non-trade amounts due from these subsidiaries is demanded at the reporting date.

Based on management's assessment, the non-trade amounts due from a subsidiary could not be repaid if demanded at the reporting date after considering the accessible highly liquid assets of the subsidiary. Accordingly, management had made an expected credit loss of HK$44,863,000 on the non-trade amounts due from the subsidiary during the financial year ended 31 December 2019. In performing the expected credit loss assessment, management had considered that the loans and advances to the three Australian borrowers with a carrying value of HK$25,156,000 recorded in the subsidiary's books can be recovered in full. As highlighted under the *Basis for Qualified Opinion* section of our report on the accuracy and recoverability of the principal loans to the Australian borrowers, in the absence of other satisfactory evidence, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the accuracy and recoverability of the principal sum of the said loans.

In the absence of alternative audit evidence available to us, we were thus unable to determine whether any further adjustments would be required to the carrying value of the non-trade amounts due from the subsidiary of HK$72,027,000 recorded at Company level as at 31 December 2019. The auditor's report for the financial year ended 31 December 2018 included a qualification on the accuracy and recoverability of the principal loans of HK$41,166,000 for the five Australian loans recorded. For the same reasons as highlighted in the preceding paragragh, we were unable to obtain sufficient appropriate evidence on the recoverability of the opening balance of the carrying value of the non-trade amounts due from the subsidiary of HK$112,844,000 recorded at the Company level. Our opinion on the current year's financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and corresponding figures.

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT

To the members of Net Pacific Financial Holdings Limited

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence about the carrying values of the principal loans to Australian borrowers and the non-trade amounts due from a subsidiary of HK$25,156,000 (2018 - HK$41,166,000) and HK$72,027,000 (2018 - HK$112,844,000) respectively as at 31 December 2019. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Recoverability of the receivables due from Intermediary (Refer to Note 15 to the financial statements)

Risk:

As at 31 December 2019, the Group has receivables of HK$7,590,000 owing by Jetwin Investment Pty Ltd (the "Intermediary"). This balance accounted for approximately 7% of the total assets of the Group and comprises mainly of assets in the form of properties (the "Properties") held by the Intermediary. The legal titles to the Properties were transferred to the Intermediary when it entered into settlement deeds with the underlying borrowers who had used the properties to settle their debts in full due to the Intermediary. Under a confirmation letter dated 7 November 2019 (the "Confirmation Letter") between Net Pacific Investment Holdings Limited ("NPIHL"), a wholly-owned subsidiary of the Company, and the Intermediary, the Intermediary has confirmed that notwithstanding that the Properties were transferred to the Intermediary on 7 November 2019, the Intermediary agrees to grant security over the Properties to NPIHL and not otherwise encumber the Properties, as security for repayment of the loans due by the underlying borrowers to the Intermediary. In addition, unless and until the amount due by the Intermediary are fully repaid to NPIHL, the sale, transfer or disposal of any or all the Properties by the Intermediary shall only be made with the prior written consent of NPIHL amongst other terms and conditions as specified in the Confirmation Letter.

The validity of the arrangement for the Intermediary to use the Properties to repay the amounts due to NPIHL as stated in the Confirmation Letter together with the expected credit loss assessment of the receivables due from the Intermediary is considered to be a key audit matter as it involves the interpretations of the rule of law as to whether the Confirmation Letter is legally valid and enforceable; and requires the application of judgement by management to assess the financial conditions of the counterparty and make estimates with respect to the underlying valuation of the properties held by the Intermediary in order to evaluate the recoverability of the receivables due from the Intermediary.

The valuation process involves significant judgement and estimation in determining the appropriate valuation methodology to be used, and in evaluating the underlying assumptions to be applied. These key assumptions used include location, age, property condition and relevant sales for similar property.

Our response:

We read the provisions of the Confirmation Letter and the related settlement deeds to obtain our understanding for the arrangement of the settlement of the debts due by the underlying borrowers to the Intermediary through the transfer of the Properties to the Intermediary and the use of the said Properties as security to repay the debts owed by the Intermediary to the Group.

We have further obtained a confirmation from the Company's legal counsel in Australia who confirmed that there is a valid and enforceable debt owing from the Intermediary to NPIHL as confirmed in loan documentation between those two entities and the relevant Confirmation Letter. The legal counsel has also indicated that there will be no legal restriction on repatriation of funds from the Intermediary in Australia to NPIHL.

We read the terms of engagement of the external valuers to consider the objectivity and independence of the external valuers, and also considered the qualification and competency of the external valuers engaged.

We also evaluated the auditor's expert and ascertained that the auditor's expert has the necessary competency, capabilities and objectivity for our purposes. Through our appointed auditor's expert, we considered the appropriateness of the valuation technique used by the external valuers for the Properties. We discussed with the external valuers on the results of their work, and compared the key assumptions used in their valuations by reference to comparable sales of similar properties and available benchmarks and considered whether these assumptions are consistent with the current market environment.

We also considered the adequacy of the disclosure in the financial statements, regarding the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between key unobservable inputs and fair values.

INDEPENDENT AUDITOR'S REPORT

To the members of Net Pacific Financial Holdings Limited

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Except for the matters described in the *Basis for Qualified Opinion* section of the report, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chan Ser.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 15 April 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	The Group 31 December 2019 HK$'000	The Group 31 December 2018 HK$'000	The Company 31 December 2019 HK$'000	The Company 31 December 2018 HK$'000
ASSETS					
Non-Current Assets					
Plant and equipment	9	**15**	26	**15**	26
Right-of-use asset	10	**255**	–	**255**	–
Other receivables	15	**6,501**	–	**–**	–
Investment in subsidiaries	11	**–**	–	**1,069**	1,069
		6,771	26	**1,339**	1,095
Current Assets					
Loans and advances	12	**55,056**	76,466	**–**	–
Financial assets, at fair value through other comprehensive income ("FVOCI")	13	**1,645**	3,829	**–**	–
Financial assets, at fair value through profit or loss ("FVTPL")	14	**–**	11,000	**–**	–
Other receivables	15	**12,256**	4,573	**95,186**	143,372
Cash and cash equivalents	16	**34,470**	27,752	**2,557**	1,129
		103,427	123,620	**97,743**	144,501
Total Assets		**110,198**	123,646	**99,082**	145,596
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	17	**145,105**	145,105	**145,105**	145,105
Reserves	18	**286**	1,670	**340**	340
Accumulated losses		**(38,585)**	(28,178)	**(49,161)**	(2,968)
Total Equity		**106,806**	118,597	**96,284**	142,477
Non-Current Liabilities					
Lease liabilities	19	**189**	–	**189**	–
		189	–	**189**	–
Current Liabilities					
Other payables	20	**2,721**	4,616	**2,499**	3,075
Lease liabilities	19	**71**	–	**71**	–
Current tax payable		**411**	433	**39**	44
		3,203	5,049	**2,609**	3,119
Total Liabilities		**3,392**	5,049	**2,798**	3,119
Total Equity and Liabilities		**110,198**	123,646	**99,082**	145,596

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Revenue	3	**3,778**	3,724
Other income	4	**2,755**	4,303
Marketing and distribution costs		**(64)**	(56)
Administrative expenses		**(6,555)**	(7,338)
Other expenses	5	**(10,321)**	(48,349)
Loss before taxation	6	**(10,407)**	(47,716)
Income tax credit	7	**–**	2,519
Loss for the year		**(10,407)**	(45,197)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
- Changes in fair value of financial assets, at FVOCI, at nil tax	13	**(1,384)**	(26)
Total comprehensive loss for the year, net of nil tax		**(11,791)**	(45,223)
Loss for the year attributable to:			
Equity holders of the Company		**(10,407)**	(45,197)
Total comprehensive loss attributable to:			
Equity holders of the Company		**(11,791)**	(45,223)
Loss per share attributable to equity holders of the Company (Hong Kong cents):	8		
- Basic		**(1.98)**	(8.60)
- Diluted		**(1.98)**	(8.60)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Share capital HK$'000	Share option reserve HK$'000	Fair value reserve HK$'000	Accumulated losses HK$'000	Total attributable to equity holders of the Company HK$'000
At 1 January 2018	145,105	340	5,356	19,030	169,831
Adoption of SFRS (I) 9	–	–	(4,000)	–	(4,000)
At 1 January 2018	145,105	340	1,356	19,030	165,831
Total comprehensive loss for the year					
Loss for the year	–	–	–	(45,197)	(45,197)
Other comprehensive income					
- Change in fair value of financial assets, at FVOCI	–	–	(26)	–	(26)
	–	–	(26)	(45,197)	(45,223)
Transaction with owners of the Company, recognised directly in equity					
Contribution by and distributions to owners of the Company					
2017 final tax-exempt (one-tier) dividend of 0.38 Hong Kong cents per share (Note 29)	–	–	–	(2,011)	(2,011)
	–	–	–	(2,011)	(2,011)
At 31 December 2018	145,105	340	1,330	(28,178)	118,597
At 1 January 2019	145,105	340	1,330	(28,178)	118,597
Total comprehensive loss for the year					
Loss for the year	**–**	**–**	**–**	**(10,407)**	**(10,407)**
Other comprehensive income					
- Change in fair value of financial assets, at FVOCI	**–**	**–**	**(1,384)**	**–**	**(1,384)**
	–	**–**	**(1,384)**	**(10,407)**	**(11,791)**
At 31 December 2019	**145,105**	**340**	**(54)**	**(38,585)**	**106,806**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	**Year ended 31 December 2019 HK$'000**	Year ended 31 December 2018 HK$'000
Cash Flows from Operating Activities			
Loss before taxation		**(10,407)**	(47,716)
Adjustments for:			
Depreciation of plant and equipment	6, 9	**11**	12
Depreciation of right-of-use assets	6,10	**74**	–
Gain on disposal of financial assets, at FVTPL	4	**(2,104)**	–
Finance cost on non-current other receivables measured at amortised cost (Note B)	5	**499**	–
Gain on reclassification from AFS financial assets to financial assets, at FVTPL on adoption of SFRS(I) 9	4	**–**	(4,000)
Changes in fair value on financial assets, at FVTPL	5,14	**637**	3,000
Interest income	3, 4	**(3,971)**	(4,007)
Interest expense on lease liabilities	5	**15**	–
Operating loss before working capital changes		**(15,246)**	(52,711)
Changes in loans and advances		**13,910**	9,965
Changes in other receivables		**(142)**	31,221
Changes in other payables		**(1,895)**	(808)
Cash used in operations		**(3,373)**	(12,333)
Dividend received		**2,533**	200
Interest received		**3,797**	4,161
Income tax paid		**(22)**	(119)
Net cash generated from/(used in) operating activities		**2,935**	(8,091)
Cash Flows from Investing Activities			
Acquisition of plant and equipment	9	**–**	(31)
Proceed from redemption of financial assets, at FVOCI		**800**	5,500
Proceed on disposal of financial assets, at FVTPL		**3,067**	–
Net cash from investing activities		**3,867**	5,469
Cash Flows from Financing Activities			
Payment of dividends	29	**–**	(2,011)
Payment of principal portion of lease liabilities (Note A)		**(69)**	–
Interest paid (Note A)		**(15)**	–
Net cash used in financing activities		**(84)**	(2,011)
Increase / (decrease) in cash and cash equivalents		**6,718**	(4,633)
Cash and cash equivalents at beginning of year		**27,752**	32,385
Cash and cash equivalents at end of year	16	**34,470**	27,752

Note A:

	As at 1 January 2019 adoption of SFRS(I) 16 HK$'000	**Repayment of interest HK$'000**	**Lease payment HK$'000**	**Interest expense HK$'000**	**As at 31 December 2019 HK$'000**
Lease Liabilities (Note 2(b) and 19)	**329**	**(15)**	**(69)**	**15**	**260**

Note B:

During the financial year ended 31 December 2019, the Group disposed of its financial assets at FVTPL for a total consideration of HK$15 million (inclusive of the settlement for dividend receivable of HK$2.5 million). HK$5.6 million (inclusive of dividend of HK$2.5 million) was received during the year. The remaining HK$9.4 million is outstanding as at year end. The Group recognised finance cost of HK$0.5 million in relation to the non-current other receivable of HK$9.4 million which was accounted for at fair value upon initial recognition.

Note C:

During the financial year ended 31 December 2019, there was an amount owing by the Intermediary of HK$7.5 million arising from the settlement of the loans by two Ultimate Borrowers in Australia to the Intermediary in the form of properties and cash. In accordance to the Confirmation Letter entered between the Intermediary and NPIHL, the Intermediary had agreed to grant security over the Properties to NPIHL as security for repayment of the loans due by the underlying borrowers to the Intermediary.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

1 General information

The financial statements of the Company and of the Group for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

The Company is listed on the Catalist which is a market on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Company is incorporated as a limited liability company and domiciled in the Republic of Singapore.

The registered office of the Company is located at 35 Selegie Road, #10-25, Singapore 188307.

The principal activities of the Company are investment holding and has business operations through its foreign subsidiaries in the area of the provision of financial services. The principal activities of the subsidiaries are as stated in Note 11 to the financial statements.

2(a) Basis of preparation

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding that the Group incurred a net loss of HK$10,407,000 (2018 - HK$45,197,000) and total comprehensive loss of HK$11,791,000 (2018 - HK$45,223,000) during the year ended 31 December 2019 and has net operating cash inflows of HK$2,935,000 (2018 - outflows of HK$8,091,000). The Group's accumulated losses amounted to HK$38,585,000 (2018 - HK$28,178,000) as at 31 December 2019.

However, the loss incurred by the Group is mainly due to expected credit losses of loans and advances of HK$8,487,000 (2018 - total expected credit loss of loans and advances and other receivables of HK$35,280,000). The Group has cash and cash equivalents of HK$34,470,000 (2018 - HK$27,752,000). The cash flow projection for the next 12 months after the reporting date prepared by management resulted in a positive net cash balance. The ability of the Group to continue as a going concern is dependent on the generation of sufficient revenue. The directors believe that the Group will have sufficient cash resources to satisfy its working capital requirements within the next 12 months after the financial year ended 31 December 2019 to enable it to continue operations and meet its liabilities as and when they fall due.

The financial statements are drawn up in accordance with the provisions of the Act and SFRS(I) including related interpretations promulgated by the Accounting Standards Council ("ASC"), and have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

This is the first set of the Group's and the Company's financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes are described in Note 2(b).

These financial statements are presented in Hong Kong dollars (HK$) which is the Company's functional currency. All financial information has been presented in Hong Kong dollars and rounded to the nearest thousand (HK$'000), unless otherwise stated.

The preparation of financial statements in conformity with SFRS(I) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 2(d).

2(b) Adoption of new and revised SFRS(I) effective for the current financial year

On 1 January 2019, the Group and the Company have adopted all the new and revised SFRS(I), SFRS(I) interpretations ("SFRS(I) INT") and amendments to SFRS(I), effective for the current financial year that are relevant to them. The adoption of these new and revised SFRS(I) pronouncements does not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods, except as discussed below:

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 16	*Leases*	1 January 2019
SFRS(I) INT 23	*Uncertainty over Income Tax Treatments*	1 January 2019

SFRS(I) 16 Leases

SFRS(I) 16 Leases supersedes SFRS(I) 1-17 Leases, SFRS(I) INT 4 Determining whether an Arrangement contains a Lease, SFRS(I) INT 1-15 Operating Leases - Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions involving the Legal Form of a Lease, and pronounces new or amended requirements with respect to lease accounting. For lessee accounting, SFRS(I) 16 introduces significant changes by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. For lessor accounting, the requirements have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's and Company's financial statements are discussed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

SFRS(I) 16 Leases (Cont'd)

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019. The Group has elected the transition to SFRS(I) 16 using the modified retrospective approach which requires the Group to recognise lease liabilities at the present value of future lease payments using incremental borrowing rate ("IBR") applicable to the lease asset and to recognise right-of-use assets ("ROU") equal to their lease liabilities at the date of initial application, without restatement of comparatives under SFRS(I) 1-17.

(a) Definition of a lease

The new definition of a lease under SFRS(I) 16 mainly relates to the concept of 'control' that determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which is in contrast to the concept of 'risks and rewards' under SFRS(I) 1-17.

The Group has elected to apply the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under SFRS(I) 1-17 continues to be applied to those leases entered into, or modified, before 1 January 2019, and the Group applies the new definition of a lease and related guidance set out in SFRS(I) 16 only to those lease contracts entered into, or modified, on or after 1 January 2019. After the transition to SFRS(I) 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The new requirements for identifying a lease under SFRS(I) 16 do not change significantly the scope of contracts that will meet the definition of a lease for the Group.

(b) Lessee accounting

Former operating leases

Before the adoption of SFRS(I) 16, the Group's non-cancellable operating lease payments in future reporting periods for office premises, were not recognised as liabilities in the statements of financial position but were disclosed as commitments in the notes to the financial statements, and these lease payments were reported as operating lease expenses in profit or loss over the lease term on a straight-line basis and presented under operating activities in the consolidated statement of cash flows. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities in the statements of financial position for these outstanding lease payments, reports depreciation of right-of-use assets and interest expense on lease liabilities in profit or loss, and presents these lease payments as principal repayment and interest paid separately under financing activities in the consolidated statement of cash flows.

The Group has elected, as a practical expedient of SFRS(I) 16, not to separate non-lease components from lease components for all classes of underlying assets and instead account for each lease component and any associated non-lease components as a single lease component, except if the non-lease component is an embedded derivative according to SFRS(I) 9.

For short-term leases and leases of low-value assets, the Group has elected for exemption under SFRS(I) 16 from recognising their right-of-use assets and lease liabilities, and to report their lease expenses in profit or loss on a straight-line basis.

On 1 January 2019, the Group has applied the following SFRS(I) 16 transition provisions under the modified retrospective approach for each lease, formerly classified as operating lease under SFRS(I) 1-17:

- recognises a lease liability at the present value of the remaining lease payments using the lessee's incremental borrowing rate for the underlying lease asset;
- recognises a right-of-use asset, on a lease-by-lease basis:
  - for the use of office premise, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statements of financial position immediately before the date of initial application; and
- applies SFRS(I) 1-36 *Impairment of Assets* to perform an impairment review of the right-of-use asset.

(c) Deferred tax effects on adoption of SFRS(I) 16

In certain jurisdictions that the Group operates in, tax deductions are available only for the lease payments as they are paid, and no tax deduction is allowed for the leased asset depreciation or finance cost. On 1 January 2019, these tax circumstances give rise to temporary differences on initial recognition of both the right-of-use asset and lease liability. However, the deferred tax effects for these temporary differences, either initially or over the lease term, are not recognised due to application of the initial recognition exemption in SFRS(I) 1-12 Income Taxes, that explicitly excludes recognising the deferred tax effects arising from initial recognition of an asset or liability in a transaction which, at the time of the transaction, affects neither accounting profit nor taxable profit.

In July 2019, the International Accounting Standards Board ("IASB") decided to propose amendments to International Accounting Standard ("IAS") 12 Income Taxes which would narrow the scope of the initial recognition exemption in IAS 12 such that it would no longer apply when an entity recognises equal amount of deferred tax asset and deferred tax liability arising from the initial recognition of a right-of-use asset and a lease liability under IFRS 16 Leases. In November 2019, the public comment window had closed for the Exposure Draft on Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12) issued by IASB. If implemented, an entity shall apply these amendments retrospectively. At the date of these financial statements, IASB has not issued these amendments to IAS 12 or any related IFRS pronouncements. Accordingly, no adjustment has been made by the Group and the Company in these financial statements in respect of this matter.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (Cont'd)

(d) Financial impact of initial application of SFRS(I) 16

The Group's and the Company's weighted average incremental borrowing rate applied to measure the Group's and the Company's lease liabilities recognised in the statements of financial position on 1 January 2019 is 5.25%.

A reconciliation of the differences between the Group's operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the Group's lease liabilities recognised in the consolidated statement of financial position on 1 January 2019 is as follows:

	HK$'000
Operating lease commitments disclosed at 31 December 2018	81
(Less)/Add effects of:	
Short-term leases exempted from recognition	(46)
New lease	332
Discounting using incremental borrowing rate as at 1 January 2019	(38)
Lease liabilities recognised on 1 January 2019	329

The effects of adoption of SFRS(I) 16 on the Group's and the Company's financial statements as at 1 January 2019 are as follows:

	Increase/ (Decrease) HK$'000
Non-Current assets	
Right-of-use asset	329
Liabilities	
Lease liabilities	329

There is no impact to the opening retained earnings as of 1 January 2019.

SFRS(I) INT 23 Uncertainty over Income Tax Treatments

The Group has adopted SFRS(I) INT 23 for the first time in the current year. SFRS(I) INT 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings, as follows:
  - if yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; or
  - if no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

There is no material impact to the Group's and the Company's financial statements.

2(c) New and revised SFRS(I) in issue but not yet effective

The following are the new or amended SFRS(I) and SFRS(I) INT issued in 2019 that are not yet effective but may be early adopted for the current financial year:

Reference	**Description**	**Effective date (Annual periods beginning on or after)**
Amendments to SFRS(I) 3	Definition of a Business	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8	Definition of Material	1 January 2020

Amendments to SFRS(I) 3 Definition of a Business

On 11 March 2019, ASC issued the narrow-scope amendments to SFRS(I) 3 Business Combinations to improve the definition of a business. The amendments narrowed and clarified the definition of a business.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2(c) New and revised SFRS(I) in issue but not yet effective (Cont'd)

Amendments to SFRS(I) 3 Definition of a Business (Cont'd)

They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments will help companies determine whether an acquisition made is of a business or a group of assets.

The amendments to SFRS(I) 3 should apply for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning or after 1 January 2020, with earlier application permitted.

The Group is currently assessing the impact to its consolidated financial statements.

Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 Definition of Material

The amendments are intended to make the definition of 'material' in SFRS(I) 1-1 easier to understand and are not intended to alter the underlying concept of materiality in SFRS(I). The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of 'material' in SFRS(I) 1-8 has been replaced by a reference to the definition of 'material' in SFRS(I) 1-1. In addition, the other SFRS(I) and the Conceptual Framework, which contain a definition of 'material' or refer to the term 'material', have been updated to ensure consistency.

The amendments to SFRS(I) 1-1 and SFRS(I) 1-8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The Group is currently assessing the impact to its consolidated financial statements.

2(d) Significant accounting estimates and judgements

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The areas involving significant judgement and critical accounting estimates and assumptions used are described below.

Significant judgements in applying accounting policies

(a) Determination of functional currency

These financial statements are presented in HK$, which also the functional currency of the Company. The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for services and of the country whose competitive forces and regulations mainly determines the sales prices of its services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Income tax

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group's and the Company's current tax payable as at 31 December 2019 amounted to HK$411,000 (31 December 2018 - HK$433,000) and HK$39,000 (31 December 2018 - HK$44,000) respectively.

(c) Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of the lessee. For leases of office premises, the Group considers factors including historical lease durations and the costs and business disruption required to replace the leased asset.

(d) Determination of operating segments

Management will first identify the Chief Operating Decision Maker ("CODM"). Then it will identify the business activities (which may not necessarily earn revenue or incur expenses). Management will further determine whether discrete financial information is available for the business activities and whether that information is regularly reviewed by the CODM. Judgement is applied by management of the aggregation criteria to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2(d) Significant accounting estimates and judgements (Cont'd)

Significant judgements in applying accounting policies (Cont'd)

(e) Allowance for expected credit loss ("ECL") of loans and advances and other receivables

Allowance for ECL of loans and advances and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past collection history, existing market conditions, current credit standing of debtor or significant financial difficulties of the debtor as well as forward looking estimates at each reporting date. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group and the Company apply the 3-stage general approach to determine ECL for loans and advances, other receivables and non-trade amounts due from subsidiaries. ECL is measured as an allowance equal to 12-month ECL for stage-1 assets, or lifetime ECL for stage-2 or stage-3 assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group and the Company consider reasonable and supportable qualitative and quantitative forward looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within twelve months after the reporting date.

The Group assesses whether or not there is an expected credit loss on the loans and advances by conducting credit assessment on a loan-by-loan basis at the Credit Committee Meetings, which are held twice a year. In making their judgements, the manner in which the management considers the financial capabilities of the Ultimate Borrowers (the ultimate borrowers of the loan granted), includes:

- the credit portfolio of the individual borrower granted via Jetwin Investment Pty Ltd;
- the assessment of the loan to security ratio;
- the status and performance of the property projects being financed; and
- country risk where the properties are located

The Group has also assessed the financial abilities of the underwriters for repayment of debts in the event of default of repayment by the Ultimate Borrowers.

The carrying amounts of the Group's loans and advances and other receivables at the end of the reporting period are disclosed in Note 12 and Note 15 to the financial statements respectively.

The carrying amounts of the Company's other receivables at the end of the reporting period is disclosed in Note 15 to the financial statements.

Critical accounting estimates and assumptions used in applying accounting policies

Fair value of unquoted FVOCI financial assets

Unquoted FVOCI financial assets are stated at fair value. If the market for a financial asset is not active or not available, the fair value is established by using valuation techniques such as the discounted cash flows analysis refined to reflect the issuer's specific circumstances. This valuation involves judgement and is based on estimate of expected future cash flows and using a discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. The carrying amount of the Group's FVOCI financial assets at the end of the reporting period is HK$1,645,000 (31 December 2018 - HK$3,829,000).

If the fair value of the unquoted FVOCI financial assets decreased by 10% (31 December 2018 - 10%) from management's estimates, the Group's fair value reserve will decrease by HK$164,500 (31 December 2018 - decrease by HK$382,900).

Impairment of amounts due from subsidiaries

The Company held non-trade receivables due from its subsidiaries of HK$95,125,000 (2018 - HK$143,298,000) as at the end of the reporting period. The impairment of the amounts due from its subsidiaries are based on the expected credit loss model using general approach which considers the availability of highly accessible liquid assets of the subsidiaries to repay these amounts if demanded repayment at the end of the reporting period. As a result of management's assessment, an impairment allowance of HK$44,863,000 (2018 – HK$Nil) was provided at the end of the reporting period. The carrying amount of the Company's amounts due from subsidiaries is disclosed in Note 15 to the financial statements.

Impairment of receivables due from Intermediary

As at 31 December 2019, the carrying amount of the Group's receivables due from Intermediary amounted to HK$7,590,000. The majority of the assets held by the Intermediary is in the form of properties. Significant application of judgment is required to assess the financial conditions of the counterparty and estimation in determining the fair values of these properties held by the Intermediary. The carrying amount of the Group's receivables due from Intermediary is disclosed in Note 15 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2(e) Significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Specifically, income and expenses of a subsidiary or an investee acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company or its subsidiary gains control until the date when the Company or its subsidiary ceases to control the subsidiary or investee.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

Subsidiary

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

– power over the investee;
– exposure, or rights to variable returns from its involvement with the investee; and
– the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
– potential voting rights held by the Group, other vote holders or other parties;
– rights arising from other contractual arrangements; and
– any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in ownership interests in subsidiaries without change of control

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

Changes in ownership interests in subsidiaries resulting in loss of control

When the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
– de-recognises the carrying amount of any non-controlling interest;
– de-recognises the cumulative translation differences recorded in equity;
– recognises the fair value of the consideration received;
– recognises the fair value of any investment retained;
– recognises any surplus or deficit in profit or loss;
– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s. The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2(e) Significant accounting policies (Cont'd)

Plant and equipment and depreciation

Plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses, if any. Depreciation on other items of plant and equipment is calculated using the straight-line method to allocate their depreciable amount over their estimated useful lives as follows:

Office equipment	3 years

The cost of plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal, respectively. Fully depreciated plant and equipment are retained in the books of accounts until they are no longer in use.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date as a change in estimates.

Investment in subsidiaries

In the Company's separate financial statements, investment in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when, only when the entity becomes party to the contractual provisions of the instruments.

(a) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

(b) **Financial assets**

Measurement

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income ("OCI"), it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling the financial assets.

Purchase or sales of financial assets that required delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2(e) Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

(b) **Financial assets (Cont'd)**

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to expected credit loss assessment. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired, and through the amortisation process.

The Group's financial assets at amortised cost include loans and advances and other receivables, excluding prepayments.

Fair value through other comprehensive income (debt instruments)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through OCI ("FVOCI"). Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

The Group does not have any financial asset at fair value through other comprehensive income (debt instruments).

Financial assets designated at fair value through OCI (equity instruments)

On initial recognition of an equity instruments that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. The classification is determined on an instrument-by instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has irrevocably elected to classify its non-quoted equity investments under this category.

Financial assets at fair value through profit and loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss statement in the period in which it arises. Interest income from these financial assets is included in other income.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes listed equity investment which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity instruments are also recognised as other income in the statement of comprehensive income when the right of payment has been established.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2(e) Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

(b) **Financial assets (Cont'd)**

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

– The rights to receive cash flows from the asset have expired or
– The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

In respect of the measurement of loss allowance at an amount equal to the lifetime expected credit losses as at the reporting date, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. A provision matrix is established based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The internal credit ratings have been mapped to external credit ratings determined by credit rating agencies such as Moody's and Fitch, so as to determine the appropriate expected credit loss rates.

<u>Definition of default</u>

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

<u>Credit-impaired financial assets</u>

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

<u>Write-off policy</u>

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery (e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings). Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2(e) Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

(c) **Financial liabilities**

Initial recognition and measurement

All financial liabilities are initially recognised at fair value, in case of a financial liability not at fair value through profit or loss, less any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method.

The Group's financial liabilities include other payables and lease liabilities.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

– Financial liabilities at fair value through profit or loss
– Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SFRS(I) 9. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss when the changes arise.

The Group does not have any financial liabilities at fair value through profit or loss.

Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Derecognition

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with financial institutions which are subject to an insignificant risk of changes in value.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

Dividends

Final dividends proposed by the Directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the constitution of the Company grant the Directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2(e) Significant accounting policies (Cont'd)

Leases (from 1 January 2019)

(i) The Group as lessee

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(a) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantee;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that trigger those lease payments.

For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component.

The lease liabilities are presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(b) Right-of-use asset

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2(e) Significant accounting policies (Cont'd)

Leases (from 1 January 2019) (Cont'd)

(i) The Group as lessee (Cont'd)

(b) Right-of-use asset (Cont'd)

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Office premises	3 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line item in the consolidated statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office premise (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Leases (before 1 January 2019)

The Group as lessee

Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred.

Income taxes

Income tax expense represents the sum of the income tax currently payable and deferred income tax.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

Deferred income tax is provided in full, using the liability method, on temporary differences at the statement of financial position between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

(i) Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss.
(ii) In respect of temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
(iii) In respect of deductible temporary differences and carry-forward of unutilised tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2(e) Significant accounting policies (Cont'd)

Income taxes (Cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, provided they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Employee benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the reporting date.

Employee Share Option Scheme

The Group issues equity-settled share-based payments to certain employees. Equity settled share based payments are measured at fair value of the equity instruments at the date of grant. The fair value of the employee services received in exchange for the grant of options is recognised as an expense in the profit or loss with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant.

Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of each reporting period, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to the employees.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors are considered key management personnel.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2(e) Significant accounting policies (Cont'd)

Impairment of non-financial assets

The carrying amounts of the Group's and the Company's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss, except for goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decrease.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in profit or loss.

Revenue recognition

The Group recognises revenue from the following sources :

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held.

Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Functional currency

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Group and the Company are presented in HK$, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss.

Foreign currency gains and losses are reported as either other income or other expenses depending on whether foreign currency movements are in a net gain or loss position.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates at the date of the transaction.

Operating segments

For management purposes, operating segments are organised based on their loan and financing portfolio which are directly managed by the Chief Executive Officer who regularly reviews the segment results in order to allocate resources to the segments and to assess segment performance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3 Revenue

The principal activities of the Group consist of the provision of financing and investment holding services. Significant categories of revenue are set out below:

Disaggregation of revenue from contracts with customers

The Group derives interest income from loans and advances over time in the following geographical regions. Revenue is attributed to countries by location of customers.

	2019			2018		
The Group	**At a point in time HK$'000**	**Over time HK$'000**	**Total HK$'000**	At a point in time HK$'000	Over time HK$'000	Total HK$'000
PRC and Hong Kong						
Interest income from loans and advances	**–**	**3,162**	**3,162**	–	2,793	2,793
British Virgin Islands						
Interest income from loans and advances	**–**	**616**	**616**	–	931	931
	–	**3,778**	**3,778**	–	3,724	3,724

4 Other income

The Group	**2019 HK$'000**	2018 HK$'000
Gain on reclassification from AFS financial assets to financial assets, at FVTPL on adoption of SFRS(I) 9	**–**	4,000
Gain on disposal of financial assets, at FVTPL	**2,104**	–
Interest income from fixed deposit	**193**	283
Other income	**458**	20
	2,755	4,303

5 Other expenses

The Group	**2019 HK$'000**	2018 HK$'000
Foreign exchange losses	**683**	10,069
Allowance for impairment loss of loans and advances (Note 12)	**8,487**	7,796
Allowance for impairment loss of other receivables (Note 15)	**–**	27,484
Changes in fair value on financial assets, at FVTPL (Note 14)	**637**	3,000
Finance cost on non-current other receivables measured at amortised cost	**499**	–
Interest expense on lease liabilities	**15**	–
	10,321	48,349

The foreign exchange losses recognised in the current year of HK$683,000 (2018 - HK$10,069,000) are mainly derived from the translation of loans and advances and interest receivable denominated in Australian dollar at the reporting date as the Australian dollar continued to depreciate against Hong Kong dollar.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

6 Loss before taxation

The Group	Note	2019 HK$'000	2018 HK$'000
Loss before taxation has been arrived at after charging:			
Depreciation of plant and equipment	9	**11**	12
Depreciation of right-of-use assets	10	**74**	–
Audit fees paid/payable to:			
Auditors of the Company		**325**	707
Other auditors		**44**	42
Non-audit fees paid/payable to auditors of the Company		**17**	23
Sponsor fee		**381**	389
Operating lease expenses		**46**	128
Directors of the Company			
- Salaries and bonuses		**983**	2,277
- Central Provident Fund		**–**	103
- Fees		**956**	975
Key management personnel (non-directors)			
- Salaries and bonuses		**1,656**	1,144
- Central Provident Fund		**214**	144
		3,809	4,643

7 Taxation

The Group	2019 HK$'000	2018 HK$'000
Current tax credit		
Current year provision	**329**	491
Over-provision of tax in respect of prior years	**(329)**	(3,010)
	–	(2,519)

Reconciliation of effective tax rate

The tax expense on the results of the financial year varies from the amount of income tax determined by applying each entity's domestic rates of income tax on the Group's results as a result of the following:

The Group	2019 HK$'000	2018 HK$'000
Loss before taxation	**(10,407)**	(47,716)
Income tax using applicable tax rates	**109**	(72)
Tax effect on non-deductible expenses	**885**	1,143
Tax effect on non-taxable income	**(614)**	(513)
Tax exemption	**(25)**	(32)
Tax rebate	**(26)**	(35)
Over-provision of tax in respect of prior years	**(329)**	(3,010)
	–	(2,519)

Unrecognised deferred tax assets

As at 31 December 2019, the aggregate amount of unutilised tax losses of the Group amounted to HK$44,816,000 (2018 - HK$32,707,000). This is derived from a subsidiary, which is located in British Virgin Island ("BVI"). Deferred tax assets have not been recognised in respect of the unutilised tax losses because the subsidiary is a BVI company and BVI is a tax haven.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7 Taxation (Cont'd)

The non-deductible expenses mainly derived from the total expenditure of the Company whose management fee income is deemed at 5% of total operating expenses as agreed with the local tax authority.

Income not subject to tax relate mainly to interest income earned by Company and non-taxable management fee income.

The domestic tax rates applicable to the results of the following companies are as follows:

	Country	Rate	Basis
- Net Pacific Financial Holdings Limited	Singapore	17.0%	Full tax
- Net Pacific Finance Group Limited	Hong Kong	16.5%	Full tax
- Net Pacific Investment Holdings Limited	British Virgin Islands	0%	Full tax

8 Loss per share

The Group

The basic loss per share is calculated based on the Group's losses attributable to the equity holders of the Company divided by the weighted average number of shares in issue of 525,630,328 (2018 - 525,630,328) shares during the financial year.

Fully diluted loss per shares in 2019 were calculated on the Group's losses attributable to the equity holders of the Company divided by 525,630,328 (2018 - 525,630,328) ordinary shares. The number of ordinary shares is calculated based on the weighted average number of shares in issue during financial year adjusted for the potential effects arising from the exercise of employee share options into ordinary shares. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares. The basic and diluted loss per share for the financial years ended 31 December 2019 and 31 December 2018 are the same as the outstanding options were anti-dilutive.

The following table reflects the weighted average number of ordinary shares used in the computation of basic and diluted loss per share for the year ended 31 December:

	2019	2018
The Group		
Weighted average number of ordinary shares for the purpose of		
- basic loss per share	**525,630,328**	525,630,328
- diluted loss per share	**525,630,328**	525,630,328

9 Plant and equipment

The Group and The Company	**Office equipment HK$'000**
Cost	
At 1 January 2018	40
Write-off	(40)
Additions	31
At 31 December 2019 and 31 December 2018	**31**
Accumulated depreciation	
At 1 January 2018	33
Write-off	(40)
Depreciation for the year	12
At 31 December 2018	**5**
Depreciation for the year	**11**
At 31 December 2019	**16**
Carrying value	
At 31 December 2019	**15**
At 31 December 2018	26

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10 Right-of-use assets

The Group and The Company	Office premises HK$'000
Cost	
Adoption of SFRS(I) 16:	
Initial recognition at 1 January 2019	329
At 31 December 2019	**329**
Accumulated depreciation	
Adoption of SFRS(I) 16:	
Initial recognition at 1 January 2019	–
Depreciation for the year	**74**
At 31 December 2019	**74**
Carrying amount	
At 31 December 2019	**255**
At 1 January 2019	329

Information about the Group's leasing activities are disclosed in Note 21.

11 Investment in subsidiaries

The Company	31 December 2019 HK$'000	31 December 2018 HK$'000
Unquoted equity shares, at cost	**1,069**	1,069

The subsidiaries are:

Name	Country of incorporation	Effective interest held by the Company 31 December 2019 %	31 December 2018 %	Principal activities
Held by the Company				
Net Pacific Finance Group Limited [(a)] [(b)]	Hong Kong Special Administrative Region of the People's Republic of China ("PRC")	**100**	100	Provision of financing services
Net Pacific Investment Holdings Limited [(a)] [(c)]	British Virgin Islands	**100**	100	Provision of financing services and investment holding

(a) Audited by Foo Kon Tan LLP for consolidation purposes
(b) Audited by H. C. Wong & Co
(c) Not required to be audited in the country of jurisdiction

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12 Loans and advances

The Group

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Group has (a) offered and granted four loans to external parties (2018 - six loans) via an independent and non-controlling vehicle which is Jetwin Investment Pty Ltd (the "Intermediary") to borrowers located in Australia (b) offered and granted four loans (2018 - five loans) to external parties via its Hong Kong subsidiary (registered money lender in Hong Kong). The Intermediary was incorporated in Australia in 2013 by third parties unrelated to the Group.

Nature of business of borrowers	Principal amount of loans 2019 HK$'000	Principal amount of loans 2018 HK$'000	Country	Maturity date	Interest rate 2019 %	Interest rate 2018 %
Scrap metals trading	**18,000**	18,000	PRC and Hong Kong	Revolving	**12**	12
Property	**25,156**	41,166	Australia	30 June 2017	**12-48**	12 - 48
Personal use	**2,300**	5,000	Hong Kong	Revolving	**13**	13
Trading	**4,600**	2,300	Hong Kong	Revolving	**12**	12
Investment	**5,000**	10,000	British Virgin Islands	Revolving	**12**	12
	55,056	76,466				

The Group	31 December 2019 HK$'000	31 December 2018 HK$'000
Loans and advances repayable within one year	**71,249**	84,262
Expected credit losses:		
At beginning	**(7,796)**	–
Allowance for expected credit losses (Note 5)	**(8,487)**	(7,796)
Foreign exchange difference	**90**	–
At end	**(16,193)**	(7,796)
Net loans and advances	**55,056**	76,466

Loans and advances are denominated in the following currencies:

The Group	31 December 2019 HK$'000	31 December 2018 HK$'000
Australian dollar	**25,156**	41,166
Hong Kong dollar	**29,900**	35,300
Total loans and advances	**55,056**	76,466

Financial guarantee of the loans and advances

To the extent of guaranteed returns, the Group's subsidiary, Net Pacific Investment Holdings Limited, has entered into financial guarantee contracts with Underwriters who are contracted as the issuer of the financial guarantee to underwrite the full portion of principal loaned by the Group at a minimum interest of 12% per annum. In return, the Underwriters are entitled to benefit arising from the repayment of the loans on the following basis:

(i) where the return per annum on the loans due to the Group including annual interest (after tax, if any) ("Returns on Borrowing") for the applicable year is equal to or more than 48% per annum of the loans, the Group shall pay the Underwriters such commission which is equal to 50% of the Returns on Borrowing for such year; or
(ii) where the Returns on Borrowing for the applicable year is equal to or more than 24% per annum of the loans, but less than 48% of the loans per annum, the Group shall pay the Underwriters such commission equal to such amount of Returns on Borrowing for such year in excess of 24% per annum of the loan; or
(iii) where the Returns on Borrowing is less than 24% per annum of the loans, the Underwriters shall not be entitled to a commission for such year and the Returns on Borrowing for such year shall be retained solely for the benefit of the Group.

There is no commission incurred or paid to the Underwriters during the financial years ended 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

12 Loans and advances (Cont'd)

The Group also entered into underwriting agreement for its FVOCI financial assets with similar terms and conditions. In aggregate, the Group had entered into underwriting agreements with three (2018 - three) Underwriters for its loans and advances and FVOCI financial assets.

As part of the Group's management of its overall credit risk exposure, internal assessment will be performed by the Credit Committee on the financial ability of the Ultimate Borrowers to repay the loans and advances.

Impairment assessment

The Group has recognised expected credit losses for the loan principal and interest receivable due from two (2018 - six) Ultimate Borrowers amounting to HK$8,487,000 (2018 - HK$7,796,000) and HK$Nil (2018 - HK$27,484,000) (Refer to Note 15) respectively in the profit or loss for the current year ended 31 December 2019 as these balances are deemed not recoverable. The details are as follows:

Expected credit losses in respect of FY2019

Despite the passing of the maturity dates for the repayment of loan principal due from two of the Ultimate Borrowers in Australia, there was no subsequent payment to the loans. As a result, the Group had provided for expected credit losses of HK$8,487,000 on the above principal loans receivable from the two Ultimate Borrowers in Australia, after taking into consideration a forward-looking analysis of the financial performance of the projects undertaken by the borrowers.

Expected credit losses in respect of FY2018

– One of the Ultimate Borrower had been placed under receivership in November 2016. The Group initiated the process and entered into settlement agreement to claim the remaining net carrying value of the related principal amount and guaranteed 12% interest receivable aggregating HK$20,348,000 from the Underwriter in 2016. The Group had received HK$7,164,000 from the Underwriter in 2017. The balance of HK$13,184,000 was due on 31 December 2017 pursuant to the settlement agreement. The Group had subsequently agreed with the Underwriter to settle the balance via additional shares of a partner company upon its successful listing on the Australian Securities Exchange ("ASX") latest by 30 April 2018. As the planned ASX listing did not proceed, the Group made full provision for impairment of the loan principal of HK$7,796,000 and interest receivable of HK$4,143,000 in 2018.

– The Intermediary had on 12 November 2017 entered into a conditional agreement with three (3) of the Ultimate Borrowers in Australia to convert loans into shares of a partner company which was planning to list on ASX. As the planned ASX listing did not proceed, the Group made full provision for impairment of the interest receivable of HK$8,126,000 in 2018.

– The remaining interest receivable of HK$15,215,000 was fully impaired as at 31 December 2018.

The Group's loans and advances comprise of eight borrowers (2018 - eleven borrowers) that represented 100% (2018 - 100%) of the total loans and advances. There is significant credit concentration in a few borrowers.

Please refer to Note 24 for details of foreign currency exposure and credit risk exposure.

13 Financial assets, at FVOCI

The Group	**2019 HK$'000**	2018 HK$'000
Equity instrument designated at fair value through OCI		
At 1 January	**3,829**	–
Reclassification from available-for-sale financial assets at 1 January 2018	**–**	9,355
Redemption of financial assets, at FVOCI	**(800)**	(5,500)
Changes in fair value of financial assets, at FVOCI	**(1,384)**	(26)
At 31 December	**1,645**	3,829
Fair value of FVOCI	**1,645**	3,829
Presented as:		
Current Assets		
Financial assets, at FVOCI	**1,645**	3,829

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13 Financial assets, at FVOCI (Cont'd)

Determination of fair value

As the unquoted Class A shares are not publicly traded, the fair values presented are determined based on the discounted cash flow calculations of the underlying investee based on a valuation report issued by an independent valuer. These calculations use cash flow projections based on the expected principal amounts to be redeemed before the maturity date of 31 December 2020 using the estimated discount rates stated below:

The Group	**31 December 2019 HK$'000**	31 December 2018 HK$'000
Unquoted equity investments	**3.09% - 3.41%**	3.04% - 3.06%

The key assumptions for the discounted cash flow calculations are those regarding:

- discount rate;
- redemption value; and
- maturity date.

The independent valuer and management estimate the fair value of the asset using discount rate that reflects current market assessments of the time value of money and the risks specific to the Class A shares.

Assessment of potential control

The Group has no significant influence or control as to voting right or decision making in terms of the following criteria:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

The Group holds the investment as a passive investor and does not possess significant influence or control over the investee.

14 Financial assets, at FVTPL

The Group	**2019 HK$'000**	2018 HK$'000
Equity instrument designated at fair value through profit or loss		
At 1 January	**11,000**	–
Reclassification from available-for-sale financial assets at 1 January 2018	**–**	14,000
Changes in fair value of financial assets, at FVTPL (Note 5)	**(637)**	(3,000)
Disposal of financial assets, at FVTPL	**(10,363)**	–
At 31 December	**–**	11,000
Fair value of FVTPL	**–**	11,000
Presented as:		
Current Assets		
Financial assets, at FVTPL	**–**	11,000

On 20 February 2019, the Group entered into a sale and purchase agreement with a buyer to sell its entire equity interest in a quoted investment for a consideration of HK$15,000,000 (inclusive of the settlement for dividend receivable of HK$2,533,000). At the reporting date, the Group has received HK$5,600,000 from the buyer, with the remaining balance of the consideration to be repaid over a two year period in accordance to the payment schedule agreed between the parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15 Other receivables

	The Group		The Company	
	31 December 2019 HK$'000	31 December 2018 HK$'000	**31 December 2019 HK$'000**	31 December 2018 HK$'000
Interest receivable (Note a)	**45,414**	45,760	**–**	–
Dividend receivable	**1,381**	3,914	**–**	–
	46,795	49,674	**–**	–
Expected credit losses:				
At beginning	**(45,265)**	(19,636)	**–**	–
Allowance for expected credit loss (Note 5)	**–**	(27,484)	**–**	–
Foreign exchange difference	**520**	1,855	**–**	–
At end	**(44,745)**	(45,265)	**–**	–
Net interest and dividend receivables	**2,050**	4,409	**–**	–
Deposits	**24**	24	**16**	17
Other receivables (Note b)	**16,648**	90	**9**	7
Amounts due from subsidiaries (non-trade) (Note c)	**–**	–	**139,988**	143,298
	18,722	4,523	**140,013**	143,322
Expected credit loss losses:				
At beginning	**–**	–	**–**	–
Allowance for expected credit loss	**–**	–	**(44,863)**	–
At end	**–**	–	**(44,863)**	–
Net other receivables	**18,722**	4,523	**95,150**	143,322
Prepayments	**35**	50	**36**	50
Total other receivables	**18,757**	4,573	**95,186**	143,372
Presented as:				
- Non-current	**6,501**	–	**–**	–
- Current	**12,256**	4,573	**95,186**	143,372
Total other receivables	**18,757**	4,573	**95,186**	143,372

Note a

The interest on the loans and advances are accrued based on the loan agreements which are payable monthly, quarterly, annually or upon maturity of the loans. The expected credit loss of HK$Nil (2018 - HK$27,484,000) has been provided for the interest receivable to the extent of unguaranteed sum by the Underwriters and the amount deemed not recoverable.

Note b

Other receivables comprise mainly of:

- HK$7,590,000 (2018 - HK$82,000) due from Intermediary. Included in this balance is a receivable of HK$7,500,000 arising from the settlement of the loans by two Ultimate Borrowers in Australia to the Intermediary in the form of properties and cash. On 25 June 2019, the Intermediary had entered into Deeds of Settlement and Release ("Deed") with two Ultimate Borrowers pursuant to which it was agreed that the parties to the Deeds would release each other from the performance of any and all of their obligations under the loan agreements entered into between the Intermediary and the Ultimate Borrowers, and any and all claims which exist in respect of the conditional agreements entered on 12 November 2017. Under the Deed, cash of AUD487,000 and the ownership in five properties in Australia were transferred to the Intermediary as settlement of the loans previously granted by the Group to the two Ultimate Borrowers via the Intermediary. On 7 November 2019, the Intermediary confirmed and agreed that all the proceeds received under the provision of the Deed and the subsequent sale of the five properties shall be paid to the Group in accordance to the terms and conditions as set out in the original loan agreements between the relevant parties. The Group and the Intermediary have an arrangement to settle the balances due to or due from each other on a net basis. Please refer to Note 26 for the off-setting disclosure.

- HK$8,901,000 (2018 - HK$Nil) due from an external buyer on the disposal of financial asset at FVTPL (see Note 14). The balance is unsecured, interest-free and repayable over a two year period commencing in FY2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15 Other receivables (Cont'd)

Note c

The amounts due from subsidiaries are non-trade in nature, unsecured, bear interest at rate of 1.89% (2018 - 1.5%) per annum and are repayable on demand.

At the end of the reporting period, the Company evaluated its subsidiaries' financial performance to meet the contractual cash flow obligations and had provided an expected credit loss of HK$44,863,000 on the non-trade amounts due from a subsidiary.

	The Group		**The Company**	
	31 December 2019 HK$'000	31 December 2018 HK$'000	**31 December 2019 HK$'000**	31 December 2018 HK$'000
Singapore dollar	**61**	74	**61**	74
Hong Kong dollar	**10,958**	4,417	**95,125**	143,298
Australian dollar	**7,738**	82	**–**	–
Total other receivables	**18,757**	4,573	**95,186**	143,372

Please refer to Note 24 for details of foreign currency exposure and credit risk exposure.

16 Cash and cash equivalents

	The Group		**The Company**	
	31 December 2019 HK$'000	31 December 2018 HK$'000	**31 December 2019 HK$'000**	31 December 2018 HK$'000
Cash at bank	**14,240**	5,785	**2,557**	1,129
Fixed deposit	**20,230**	21,967	**–**	–
	34,470	27,752	**2,557**	1,129

The fixed deposit matures in 3 days (2018 - 3 days) after the end of the reporting date, with an effective interest rate of 0.41% (2018 - 1.41%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	The Group		**The Company**	
	31 December 2019 HK$'000	31 December 2018 HK$'000	**31 December 2019 HK$'000**	31 December 2018 HK$'000
Singapore dollar	**3,346**	1,910	**2,204**	776
Hong Kong dollar	**10,032**	2,942	**353**	353
United States dollar	**808**	802	**–**	–
Australian dollar	**20,284**	22,098	**–**	–
	34,470	27,752	**2,557**	1,129

Please refer to Note 24 for details of foreign currency and credit risk exposure.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17 Share capital

The Company and the Group	31 December 2019 No. of shares	31 December 2018 No. of shares	31 December 2019 HK$'000	31 December 2018 HK$'000
Issued and fully paid, with no par value				
At 1 January and 31 December	**525,630,328**	525,630,328	**145,105**	145,105

The Company and the Group	31 December 2019 S$'000	31 December 2018 S$'000
Issued and fully paid share capital denominated in original currency:		
At 1 January and 31 December	**24,584**	24,584

S$: Singapore dollars

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

Net Pacific Employee Share Option Scheme (the "Scheme")

The Scheme was approved by the members of the Company at an extraordinary general meeting of the Company held on 15 February 2011, and provides for the grant of ordinary shares of the Company to the directors of the Company and confirmed employees of the Company and its subsidiaries.

The exercise price is based on the average of the last dealt prices of the shares of the Company on the SGX-ST for a period of five consecutive market days immediately preceding the date of grant. The options are exercisable at any time after the first anniversary of the date of grant and up to the tenth anniversary of the date of grant except in the case of options granted to non-executive directors and independent directors where the exercise period may not exceed five years from the date of grant.

Movements in the number of unissued ordinary shares under option and their exercise prices are as follows:

The Company	Balance at 1.1.2018	Options granted	Options exercised	Options lapsed or cancelled	Balance at 31.12.2018	Exercise price (S$)	Exercise period
2011 Options	20,750,000	–	–	–	20,750,000	0.035	9.5.2012 to 8.5.2021
Exercisable	20,750,000	–	–	–	20,750,000		

The Company	Balance at 1.1.2019	Options granted	Options exercised	Options lapsed or cancelled	Balance at 31.12.2019	Exercise price (S$)	Exercise period
2011 Options	20,750,000	–	–	–	20,750,000	0.035	9.5.2012 to 8.5.2021
Exercisable	20,750,000	–	–	–	20,750,000		

No options were exercised at the reporting date since the commencement of the Scheme in 2011.

The options under the Scheme have a vesting period of one year and the share-based payment expenses were fully recognised in 2011. No further share-based payment expenses were recognised since 2011.

The fair value of options granted on 9 May 2011, determined using the Black Scholes Model, was HK$340,000. The significant inputs into the model for 2011 were the share price of S$0.035 at the grant date, the exercise price of S$0.035, the volatility of expected share price return of 10%, the option life shown above and the annual risk-free interest rate of 2.5%.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18 Reserves

	The Group		The Company	
	31 December 2019 HK$'000	31 December 2018 HK$'000	**31 December 2019 HK$'000**	31 December 2018 HK$'000
Share option reserve	**340**	340	**340**	340
Fair value reserve	**(54)**	1,330	**–**	–
	286	1,670	**340**	340

Share option reserve

Share option reserve represents the equity-settled share options granted to employees (Note 17). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

Fair value reserve

The fair value reserve comprises the cumulative net changes in the fair value of FVOCI financial assets until the investments are derecognised.

19 Lease liabilities

	The Group and the Company 31 December 2019 HK$'000
Undiscounted lease payments due:	
- Year 1	**83**
- Year 2	**83**
- Year 3	**83**
- Year 4	**34**
	283
Less: Future interest cost	**(23)**
Lease liabilities	**260**
Presented as:	
- Non-current	**189**
- Current	**71**
	260

Total cash outflows for all leases during the year amount to HK$84,000.

Interest expense on lease liabilities of HK$15,000 is recognised within "Other expenses" in profit or loss.

Rental expenses not capitalised in lease liabilities but recognised within "Administrative expenses" in profit or loss are set out below:

	The Group 2019 HK$'000
Short-term lease	**46**

As at 31 December 2019, the Group's short-term lease commitments at the reporting date are not substantially dissimilar to those giving rise to the Group's short-term lease expenses for the year.

Information about the Group's leasing activities are disclosed in Note 21.

Please refer to Note 24 for liquidity risk exposure.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20 Other payables

	The Group		The Company	
	31 December 2019 HK$'000	31 December 2018 HK$'000	**31 December 2019 HK$'000**	31 December 2018 HK$'000
Accrued operating expense	**2,721**	3,358	**2,499**	3,075
Other creditors (*)	**–**	1,258	**–**	–
	2,721	4,616	**2,499**	3,075

(*) In the last financial year ended 31 December 2018, there was an amount of HK$1,258,000 due to Intermediary, representing the net amount of funds held on behalf of the Group. The Group and the Intermediary have an arrangement to settle the balances due to or due from each other on a net basis. Please refer to Note 26 for the off-setting disclosure.

Oher payables are denominated in the following currencies:

	The Group		The Company	
	31 December 2019 HK$'000	31 December 2018 HK$'000	**31 December 2019 HK$'000**	31 December 2018 HK$'000
Singapore dollar	**2,407**	3,075	**2,407**	3,075
Hong Kong dollar	**314**	283	**92**	–
Australian dollar	**–**	1,258	**–**	–
	2,721	4,616	**2,499**	3,075

Please refer to Note 24 for details of foreign currency risk and liquidity risk exposure.

21 Leases

The Group as lessee

The Group has lease contracts for office premises used in its operations. Leases of office premises generally have lease terms of two years with an option to renew for another two years. Generally, the Group are restricted from assigning and subleasing the leased assets.

The Group applies the 'short-term lease' recognition exemptions for certain leases of office premises with lease terms of 12 months or less.

Information regarding the Group's right-of-use assets and lease liabilities are disclosed in Note 10 and 19 respectively.

22 Commitments

Operating lease commitments – where the Group is lessee

The Group leases office premises from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

As at 31 December 2019, the future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	The Group 31 December 2018 HK$'000	The Company 31 December 2018 HK$'000
Not later than 1 year	81	36
Later than 1 year and not later than 5 years	–	–
	81	36

As disclosed in Note 2(b), the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 1 January 2019, except for short-term leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22 Commitments (Cont'd)

Short-term leases

	The Group 31 December 2019 HK$'000	The Company 31 December 2019 HK$'000
Not later than 1 year	**46**	**–**
Later than 1 year and not later than 5 years	**–**	**–**
	46	**–**

23 Related party transactions

Other than as disclosed elsewhere in the financial statement, significant transactions with related parties are as follows:

The Group	**2019 HK$'000**	2018 HK$'000
Rental and utility expense to other related party [(a)]	**79**	90
Fund transferred to a borrower through a related party [(b)]	**–**	18,000
Fund transferred from a borrower through a related party [(c)]	**–**	18,172

[(a)] This relates to an entity in which the Company's director cum shareholder is also a shareholder cum director of the entity. The rental agreement has ceased on 18 November 2019.

[(b)] During the financial year ended 31 December 2018, the Group transferred an amount of HK$18,000,000 to one of its Ultimate Borrowers through an entity in which the Company's director cum shareholder is also a shareholder cum director of the entity to facilitate the funds transfer process.

[(c)] During the financial year ended 31 December 2018, the Group received an amount of HK$18,172,000 from a Borrower in Hong Kong through a director to facilitate the funds transfer process.

24 Financial risk management

24.1 Financial risk factors

The Company's and the Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Company's and the Group's financial performance. The key financial risks include foreign currency risk, credit risk, market price risk, interest rate risk and liquidity risk. The Company's and the Group's overall risk management strategy seeks to minimise adverse effects from these financial risks on the Company's and the Group's financial performance. The Company's and the Group's overall risk management policy is to ensure adequate financial resources are available for the development of the Company's and the Group's business whilst managing the risk.

The Company's and the Group's risk management is carried out by the board of directors. The Company and the Group do not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

There has been no change to the Company's and the Group's exposure to these financial risks and the manner in which they manage and measure the risks.

24.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group and the Company are not exposed to any interest rate risk as they do not have any monetary financial instruments with variable interest rates.

24.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than functional currency of respective Group entities. The currencies in which these transactions primarily are denominated in are the Australian dollar (AUD), United States dollar (USD) and Singapore dollar (SGD).

The Group does not use forward contracts to hedge its exposure to foreign currency risk in the local functional currency.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in AUD, USD and SGD.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24 Financial risk management (Cont'd)

24.3 Currency risk (Cont'd)

The Group's and the Company's exposures to currency risks are as follows:

The Group	Australian dollar 31 December 2019 HK$'000	Australian dollar 31 December 2018 HK$'000
Financial Assets		
Loans and advances	**25,156**	41,166
Other receivables	**7,738**	82
Cash and cash equivalents	**20,284**	22,098
	53,178	63,346
Financial Liabilities		
Other payables	**–**	1,258
	–	1,258
Net currency exposure on financial assets	**53,178**	62,088

The Group	United States dollar 31 December 2019 HK$'000	United States dollar 31 December 2018 HK$'000
Financial Assets		
Cash and cash equivalents	**808**	802
Net currency exposure on financial assets	**808**	802

The Group	Singapore dollar 31 December 2019 HK$'000	Singapore dollar 31 December 2018 HK$'000
Financial Assets		
Other receivables	**61**	74
Cash and cash equivalents	**3,346**	1,910
	3,407	1,984
Financial Liabilities		
Other payables	**2,407**	3,075
	2,407	3,075
Net currency exposure on financial assets/(liabilities)	**1,000**	(1,091)

The Company	Singapore dollar 31 December 2019 HK$'000	Singapore dollar 31 December 2018 HK$'000
Financial Assets		
Other receivables	**61**	74
Cash and cash equivalents	**2,204**	776
	2,265	850
Financial Liabilities		
Other payables	**2,407**	3,075
	2,407	3,075
Net currency exposure on financial liabilities	**(142)**	(2,225)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24 Financial risk management (Cont'd)

24.3 Currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

A 5% strengthening/weakening of the above currencies against the functional currency of the group entities at 31 December would have increased/(decreased) equity and loss before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular interest rates, remain constant.

The Group	**31 December 2019** Loss before tax HK$'000	**31 December 2019** Equity HK$'000	31 December 2018 Loss before tax HK$'000	31 December 2018 Equity HK$'000
AUD				
- strengthened 5% against HKD	**(2,659)**	**2,659**	(3,104)	3,104
- weakened 5% against HKD	**2,659**	**(2,659)**	3,104	(3,104)
USD				
- strengthened 5% against HKD	**(40)**	**40**	(40)	40
- weakened 5% against HKD	**40**	**(40)**	40	(40)
SGD				
- strengthened 5% against HKD	**(50)**	**50**	55	(55)
- weakened 5% against HKD	**50**	**(50)**	(55)	55

The Company	**31 December 2019** Loss before tax HK$'000	**31 December 2019** Equity HK$'000	31 December 2018 Loss before tax HK$'000	31 December 2018 Equity HK$'000
SGD				
- strengthened 5% against HKD	**7**	**(7)**	111	(111)
- weakened 5% against HKD	**(7)**	**7**	(111)	111

24.4 Credit risk

Credit risk refers to the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group or the Company to incur a financial loss. As the primary business of the Group is the provision of loan and financing services, the Group is exposed to credit risks from its lending activities. The Group's exposure to credit risk arises primarily from loans and advances and other receivables.

The Group's objective is to seek continual growth while minimising losses arising from credit risk exposure. For loans and advances, the Group adopts the policy of dealing only with borrowers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. The Group closely monitors and avoids any significant concentration of credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure including the default risk of the individual obligor, security risk, market and industry risk.

Credit policies are formulated covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

All credit facilities, including those with collateral, require the approval by management. All collateral assets must be tangible, accessible and marketable in Singapore or a reputable market.

The Group has in place a monitoring system to identify early symptoms of problematic loan accounts. A risk grading system is used in determining whether impairment provisions may be required against specific credit exposures. Risk grades of the borrowers are subject to regular reviews and credit exposures take into consideration of stress testing of the fair value of collateral and other security enhancements held against the loans and advances.

The Group's significant exposure to credit risk arises from loans and advances and other receivables. Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Credit Committee based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored by management and the Credit Committee. The Group's loans and advances comprise of eight borrowers (2018 - eleven borrowers) that represented 100% (2018 - 100%) of the total loans and advances. There is significant credit risk concentration in a few borrowers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24 Financial risk management (Cont'd)

24.4 Credit risk (Cont'd)

In order to mitigate the concentration of credit risk, the loans and advances are guaranteed by the shareholders of the borrowers and/or Underwriters.

At the reporting date, the management has considered, among other factors, the net worth, sufficient liquidity and public reputation of the Underwriters and are satisfied that the Underwriters are financially capable to reimburse the principal sum of the loans and advances in the event of default by the Ultimate Borrowers.

The Group and the Company do not hold collateral in respect of its financial asset, except for a loan to an individual which is secured by a charge over properties own by the borrower. The maximum exposure to credit risk is represented by the carrying amount of each class of financial assets in the statements of financial position.

Exposure to credit risk

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

The Group	**31 December 2019 HK$'000**	31 December 2018 HK$'000
Financial assets		
Loans and advances	**55,056**	76,466
Other receivables [1]	**18,722**	4,523
Cash and cash equivalents	**34,470**	27,752
	108,248	108,741
The Company		
Financial assets		
Other receivables [1]	**95,150**	143,322
Cash and cash equivalents	**2,557**	1,129
	97,707	144,451

[1] *Excluded prepayment*

The Group's major classes of financial assets are loans and advances, other receivables (excluding prepayments), and cash and cash equivalents.

The Company's major classes of financial assets are other receivables (excluding prepayments), and cash and cash equivalents.

The tables below detail the credit quality of the Group's and the Company's financial assets, as well as maximum exposure to credit risk without taking into account of any collateral held or other credit enhancements:

The Group	12-month ECL Not credit impaired HK$'000	Lifetime Expected Credit loss Not credit impaired HK$'000	Lifetime Expected Credit loss Credit impaired HK$'000	Total HK$'000
Loans and advances				
- neither past due nor impaired	**29,900**	**–**	**–**	**29,900**
- past due but not impaired	**–**	**25,156**	**–**	**25,156**
- past due and impaired	**–**	**–**	**16,193**	**16,193**
Other receivables, excluding prepayments				
- neither past due nor impaired	**18,722**	**–**	**–**	**18,722**
- past due but not impaired	**–**	**–**	**–**	**–**
- past due and impaired	**–**	**–**	**44,745**	**44,745**
Gross amount	**48,622**	**25,156**	**60,938**	**134,716**
Stage 3 loss allowances	**–**	**–**	**(60,938)**	**(60,938)**
At 31 December 2019	**48,622**	**25,156**	**–**	**73,778**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24 Financial risk management (Cont'd)

24.4 Credit risk (Cont'd)

Exposure to credit risk (Cont'd)

The Group	**12-month ECL Not credit impaired HK$'000**	**Lifetime Expected Credit loss Not credit impaired HK$'000**	**Lifetime Expected Credit loss Credit impaired HK$'000**	**Total HK$'000**
Loans and advances				
- neither past due nor impaired	35,300	–	–	35,300
- past due but not impaired	–	41,166	–	41,166
- past due and impaired	–	–	7,796	7,796
Other receivables, excluding prepayments				
- neither past due nor impaired	4,523	–	–	4,523
- past due but not impaired	–	–	–	–
- past due and impaired	–	–	45,265	45,265
Gross amount	39,823	41,166	53,061	134,050
Stage 3 loss allowances	–	–	(53,061)	(53,061)
At 31 December 2018	39,823	41,166	–	80,989

The Company	**12-month/ Lifetime ECL**	**Gross carrying amount**	**Loss allowance**	**Net carrying Amount**
At 31 December 2019		**HK$'000**	**HK$'000**	**HK$'000**
Other receivables [(1)]	**Lifetime ECL**	**25**	**–**	**25**
Amounts due from subsidiaries (non-trade)	**12-month ECL**	**139,988**	**(44,863)**	**95,125**
		140,013	**(44,863)**	**95,150**
At 31 December 2018				
Other receivables [(1)]	Lifetime ECL	24	–	24
Amounts due from subsidiaries (non-trade)	12-month ECL	143,298	–	143,298
		143,322	–	143,322

[(1)] *Excluded prepayment*

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking into account of the value of any collateral obtained.

(1) Loans and advances and other receivables

The expected credit loss on loans and advances and other receivables are estimated by reference to payment history, current financial situation of the borrower, borrower-specific information obtained directly from the borrower and public domain, where available, and an assessment of the current and future wider economic conditions and outlook for the industry in which the borrower operates at the reporting date.

Loans and advances and other receivables are written off when there is no reasonable expectation of recovery. Expected credit losses are presented as net expected credit losses within other expenses. Subsequent recoveries of amounts previously written off are credited against the same line item. The closing loss allowances as at the reporting date reconcile to the opening loss allowances are disclosed in Note 12 and Note 15.

(2) Amounts due from subsidiaries

The use of loans and advances to assist with the subsidiaries' cash flow management is in line with the Group's capital management. In determining the ECL, management has taken into account the finances and business performance of the subsidiaries, and a forward-looking analysis of the financial performance of investments and projects undertaken by these subsidiaries. For the non-trade amounts due from subsidiaries which are repayable on demand, expected credit losses are determined based on the availability of accessible and highly liquid assets of the subsidiaries for repayment if they are demanded at the reporting date. There has been a significant increase in the credit risk for the non-trade amounts due from a subsidiary. The impairment assessment for ECL is disclosed in Note 15.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24 Financial risk management (Cont'd)

24.4 Credit risk (Cont'd)

(3) Cash and cash equivalents

Cash is placed with financial institutions which are regulated and have good credit ratings. Expected credit loss on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Financial assets that are neither past due nor impaired

As of 31 December 2019, other receivables and amounts due from subsidiaries (non-trade) for the Company of HK$95,150,000 (2018 - HK$143,322,000) and loans and advances and other receivables for the Group of HK$48,622,000 (2018 - HK$39,823,000) are neither past due nor impaired. Based on historical default rates, the Group believes that no expected credit losses is necessary in respect of these balances not past due as they mainly arise from borrowers that have a good credit record with the Group.

Financial assets that are past due but not impaired

As of 31 December 2019, loans and advances for the Group of HK$25,156,000 (2018 - HK$41,166,000) are past due but not impaired. Based on historical default rates, the Group believes that no expected credit losses is necessary in respect of loans and advances past due more than 60 days since the principal sum is expected to be recovered through the underlying value of the property projects of the borrowers based on management's assessment.

Financial assets that are past due and/or impaired

As of 31 December 2019, amounts due from subsidiaries (non-trade) for the Company of HK$44,863,000 (2018 - HK$Nil) are impaired. Loans and advances and other receivables for the Group of HK$60,938,000 (2018 - HK$53,061,000) are past due and impaired. The Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the transaction.

An ageing analysis of loans and advances at the reporting date is as follows:

The Group	**31 December 2019 HK$'000**	31 December 2018 HK$'000
Not past due	**29,900**	35,300
Past due less than 1 month	**–**	–
Past due more than 1 month but less than 2 months	**–**	–
Past due more than 2 months	**25,156**	41,166
	55,056	76,466

An ageing analysis of other receivables at the reporting date is as follows:

The Group	**31 December 2019 HK$'000**	31 December 2018 HK$'000
Not past due	**18,722**	4,523
Past due less than 1 month	**–**	–
Past due more than 1 month but less than 2 months	**–**	–
Past due more than 2 months	**–**	–
	18,722	4,523

24.5 Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

As at 31 December 2019, the Group does not hold any quoted or marketable financial instruments and thus is not exposed to any movement in market prices.

As at 31 December 2018, the Group is exposed to market price risks arising from the financial assets classified as financial assets at fair value through profit or loss for an investment in equity shares quoted on the Hong Kong Stock Exchange with a carrying value of HK$11,000,000.

Market price sensitivity

As at 31 December 2018, if the market value had been 2% higher/lower with all other variables held constant, the Group's profit net of tax and equity would have been HK$220,000 higher/lower, arising as a result of higher/lower fair value changes on the financial assets classified as fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24 Financial risk management (Cont'd)

24.6 Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or other financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and equivalent deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. As at 31 December 2019, management had received payment for loans to Hong Kong, PRC and Australian borrowers amounting to HK$7,700,000 (2018 - HK$27,193,000). Management believes that it will have the necessary liquidity by scaling its business activities, collections from investments, loans and advances and /or raising funds as it deemed appropriate.

The table summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted payments:

		Contractual undiscounted cash flows			
The Group	**Carrying amount HK$'000**	**Total HK$'000**	**Less than 1 year HK$'000**	**Between 2 and 5 years HK$'000**	**Over 5 years HK$'000**
31 December 2019					
Other payables	**2,721**	**2,721**	**2,721**	**–**	**–**
Lease liabilities	**260**	**283**	**83**	**200**	**–**
	2,981	**3,004**	**2,804**	**200**	**–**
31 December 2018					
Other payables	4,616	4,616	4,616	–	–
The Company					
31 December 2019					
Other payables	**2,499**	**2,499**	**2,499**	**–**	**–**
Lease liabilities	**260**	**283**	**83**	**200**	**–**
	2,759	**2,782**	**2,582**	**200**	**–**
31 December 2018					
Other payables	3,075	3,075	3,075	–	–

25 Financial instruments

25.1 Accounting classifications of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

The Group **31 December 2019**	**FVOCI (Carried at fair value) HK$'000**	**Financial assets (Carried at amortised cost) HK$'000**	**Total HK$'000**
Financial assets			
FVOCI	**1,645**	**–**	**1,645**
Loans and advances	**–**	**55,056**	**55,056**
Other receivables (1)	**–**	**18,722**	**18,722**
Cash and cash equivalents	**–**	**34,470**	**34,470**
	1,645	**108,248**	**109,893**

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For the financial year ended 31 December 2019

25 Financial instruments (Cont'd)

25.1 Accounting classifications of financial assets and financial liabilities (Cont'd)

The carrying amounts of financial assets and financial liabilities in each category are as follows:

The Group **31 December 2019**	**Financial liabilities (Carried at amortised cost) HK$'000**	**Total HK$'000**
Financial liabilities		
Other payables	**2,721**	**2,721**
Lease liabilities	**260**	**260**
	2,981	**2,981**

The Group **31 December 2018**	**FVTPL** (Carried at fair value) **HK$'000**	**FVOCI** (Carried at fair value) **HK$'000**	**Financial assets (Carried at amortised cost) HK$'000**	**Total HK$'000**
Financial assets				
FVTPL	11,000	–	–	11,000
FVOCI	–	3,829	–	3,829
Loans and advances	–	–	76,466	76,466
Other receivables [(1)]	–	–	4,523	4,523
Cash and cash equivalents	–	–	27,752	27,752
	11,000	3,829	108,741	123,570

	Financial liabilities (Carried at amortised cost) HK$'000	**Total HK$'000**
Financial liabilities		
Other payables	4,616	4,616

[(1)] *Excluded prepayment*

The Company **31 December 2019**	**Financial assets (Carried at amortised cost) HK$'000**	**Total HK$'000**
Financial assets		
Other receivables [(1)]	**95,150**	**95,150**
Cash and cash equivalents	**2,557**	**2,557**
	97,707	**97,707**

	Financial liabilities (Carried at amortised cost) HK$'000	**Total HK$'000**
Financial liabilities		
Other payables	**2,499**	**2,499**
Lease liabilities	**260**	**260**
	2,759	**2,759**

[(1)] *Excluded prepayment*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

25 Financial instruments (Cont'd)

25.1 Accounting classifications of financial assets and financial liabilities (Cont'd)

The carrying amounts of financial assets and financial liabilities in each category are as follows:

The Company 31 December 2018	Financial assets (Carried at amortised cost) HK$'000	Total HK$'000
Financial assets		
Other receivables [(1)]	143,322	143,322
Cash and cash equivalents	1,129	1,129
	144,451	144,451

	Financial liabilities (Carried at amortised cost) HK$'000	Total HK$'000
Financial liabilities		
Other payables	3,075	3,075

(1) *Excluded prepayment*

26 Fair value measurement

Definition of fair value

SFRS(I)s define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

26.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of fair value hierarchy. The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 : inputs for the assets or liability that are not based on observable market date.

The following table shows the levels within the hierarchy of financial assets measured at fair value on a recurring basis as at 31 December 2019 and 2018:

The Group	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 31 December 2019				
Financial assets, at FVOCI	**–**	**–**	**1,645**	**1,645**

The Group	**Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total HK$'000**
At 31 December 2018				
Financial assets, at FVOCI	–	–	3,829	3,829
Financial assets, at FVTPL	11,000	–	–	11,000
	11,000	–	3,829	14,829

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For the financial year ended 31 December 2019

26 Fair value measurement (Cont'd)

26.2 Determination of fair values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial instruments whose carrying amounts approximate fair value

The carrying amounts of financial assets and liabilities at their amortised costs with a maturity of less than one year (including loans and advances and other receivables, cash and cash equivalents, other payables and lease liabilities) approximate their fair values because of the short period. Management has determined the fair value of these financial instruments to closely approximate their carrying amount at the reporting date.

The Company and the Group do not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

Quoted equity securities - FVTPL financial assets (Level 1)

In 2018, the fair value of quoted equity securities classified as financial assets at fair value through profit or loss is determined by reference to their quoted current bid price at the reporting date.

Unquoted equity security - FVOCI financial assets (Level 3)

The fair value of financial instruments that are not traded in an active market (for example, FVOCI financial assets) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period, for instance, discounted cash flow analysis method. Such instruments are included in Level 3.

There were no transfers between Level 1 and Level 3 in 2019. There was a transfer from Level 3 to Level 1 in 2018 following a reclassification of investment in quoted equity securities from available-for-sale financial asset to financial asset at fair value through profit or loss on adoption of SFRS(I)9.

The following table provides information about the sensitivity of the fair value measurement to changes in the most significant inputs:

Significant unobservable input	**Sensitivity of the fair value measurement to input**
Increase/(decrease) of 1% discount rate	There would be a (decrease)/ increase in fair value by (HK$17,373)/HK$16,627

The following table presents the changes in Level 3 instruments:

The Group	**Level 3 HK$'000**
At 1 January 2018	23,355
Reclass into Level 1	(14,000)
Redemption of financial assets, at FVOCI	(5,500)
Changes in fair value of financial assets, at FVOCI	(26)
At 31 December 2018	**3,829**
Redemption of financial assets, at FVOCI	**(800)**
Changes in fair value of financial assets, at FVOCI	**(1,384)**
At 31 December 2019	**1,645**

Properties held by Intermediary (Level 3)

The following table shows the professional valuer's valuation technique used in measuring the fair value of properties held by Intermediary, as well as the significant unobservable inputs used.

Valuation technique	**Inter-relationship between key unobservable inputs and fair value measurement**	**Significant unobservable inputs**
	The estimated fair value would increase (decrease) if:	
Direct comparison method	*Price per square meter was higher (lower)*	Price per square meter: **-31 December 2019: HK$21,500 to HK$33,450**
	Location was superior (inferior)	Location factor, taking into account the difference in amenities available: **-31 December 2019: 5.00%**
	Property condition was superior (inferior)	Property condition, taking into account the quality and design of the property: **-31 December 2019: 5.00%**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26 Fair value measurement (Cont'd)

26.3 Financial assets and financial liabilities subject to offsetting arrangements

(a) Set-off of balances with subsidiaries (the Company)

The subsidiaries regularly pay expenses on behalf of the Company. Both parties have arrangements to settle intercompany balances due to or due from each other on a net basis. The amounts of due to and due from subsidiaries that are set-off are as follows:

The Company	**Gross carrying amounts**	**Gross amounts offset in the statement of financial position**	**Net amounts in the statement of financial position**
31 December 2019	**HK$'000**	**HK$'000**	**HK$'000**
Amounts due from subsidiaries (non-trade)	**158,547**	**(18,559)**	**139,988**
Amounts due to subsidiaries (non-trade)	**(18,559)**	**18,559**	**–**
	139,988	**–**	**139,988**
31 December 2018			
Amounts due from subsidiaries (non-trade)	153,060	(9,762)	143,298
Amounts due to subsidiaries (non-trade)	(9,762)	9,762	–
	143,298	–	143,298

(b) Set-off of balances with the Intermediary (the Group)

The Intermediary has transferred and received funds on behalf of a subsidiary of the Group. Both parties have an arrangement to settle the balances due to or due from each other on a net basis.

The amounts due to and due from the Intermediary that are off-set are as follows:

The Group	**Gross carrying amounts**	**Gross amounts offset in the statement of financial position**	**Net amounts in the statement of financial position**
31 December 2019	**HK$'000**	**HK$'000**	**HK$'000**
Amounts due from an Intermediary	**9,751**	**(2,161)**	**7,590**
Amounts due to an Intermediary	**(2,161)**	**2,161**	**–**
Net amount due from an Intermediary	**7,590**	**–**	**7,590**
31 December 2018			
Amounts due from an Intermediary	2,017	(1,935)	82
Amounts due to an Intermediary	(3,193)	1,935	(1,258)
Net amount due to an Intermediary	(1,176)	–	(1,176)

(c) Set-off of balances with Underwriters (the Group)

The subsidiary, Net Pacific Investment Holdings Limited, has been charged underwriting expense by Underwriters and the Underwriters are obligated to pay the guaranteed amount to the subsidiary. No underwriting expenses were incurred during the financial years ended 31 December 2019 and 2018. Both parties have arrangements to settle the balances due to or due from each other on a net basis. There are no balances which are off-set for the financial years ended 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27 Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;

(b) To support the Group's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's risk management capability; and

(d) To provide an adequate return to shareholders.

The Group defines capital as shareholders' equity. The Group regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected loan financing opportunities. The Group currently does not adopt any formal dividend policy.

The Group monitors capital using Gearing Ratio, which is net debt divided by total equity. Net debt represents the aggregate of other payables and lease liabilities, less cash and cash equivalents.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

The Group	**31 December 2019 HK$'000**	31 December 2018 HK$'000
Other payables (Note 20)	**2,721**	4,616
Lease liabilities (Note 19)	**260**	–
Less: Total cash and cash equivalents (Note 16)	**(34,470)**	(27,752)
Net debt # (A)	**(31,489)**	(23,136)
Equity attributable to owner of the Company (B)	**106,806**	118,597
Gearing ratio (A)/(B) (%)	**#**	#

\# Not applicable as the Group had a net cash position as at 31 December 2019 and 31 December 2018.

28 Operating segments

For management purposes, the Group is organised into the following reportable operating segments as follows:

(1) Financing Business

The financing segment is the business of the provision of financing services in the PRC, the Hong Kong Special Administrative Region and Australia, which include the provision of working capital financing, asset-backed loans, mezzanine loans and investments in companies with good fundamentals and growth potential.

(2) Investment

The investment segment is the business of investing in short term financial instruments using cash on hand pending further loan disbursement or investment opportunities under the Financing Business. There is no operating segment that has been aggregated to form this reportable operating segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28 Operating segments (Cont'd)

Segment information provided to management for reportable segments is as follows:

	Financing Business		Investment		Corporate		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue by segments								
Total revenue by segments	**3,778**	3,724	**–**	–	**–**	–	**3,778**	3,724
External revenue	**3,778**	3,724	**–**	–	**–**	–	**3,778**	3,724
Segment loss	**(5,257)**	(41,153)	**–**	–	**(5,150)**	(6,563)	**(10,407)**	(47,716)
Loss before tax							**(10,407)**	(47,716)
Income tax credit							**–**	2,519
Loss for the year							**(10,407)**	(45,197)
Segment assets	**107,310**	122,417	**–**	–	**2,888**	1,229	**110,198**	123,646
Consolidated total assets							**110,198**	123,646
Segment liabilities	**594**	1,930	**–**	–	**2,798**	3,119	**3,392**	5,049
Consolidated total liabilities							**3,392**	5,049

	Financing Business		Investment		Corporate		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other material items:								
Allowance for expected credit loss of other receivables	**–**	27,484	**–**	–	**–**	–	**–**	27,484
Allowance for expected credit loss of loans and advances	**8,487**	7,796	**–**	–	**–**	–	**8,487**	7,796
Depreciation of plant and equipment	**–**	–	**–**	–	**11**	12	**11**	12
Depreciation of right-of-use assets	**–**	–	**–**	–	**74**	–	**74**	–
Foreign exchange loss	**683**	10,069	**–**	–	**–**	–	**683**	10,069
Gain on reclassification from AFS financial assets to financial assets, at FVTPL on adoption of SFRS(I) 9	**–**	(4,000)	**–**	–	**–**	–	**–**	(4,000)
Changes in fair value on financial assets, at FVTPL	**637**	3,000	**–**	–	**–**	–	**637**	3,000
Gain on disposal of financial assets at FVTPL	**(2,104)**	–	**–**	–	**–**	–	**(2,104)**	–
Finance cost on non-current other receivables measured at amortised cost	**499**	–	**–**	–	**–**	–	**499**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

28 Operating segments (Cont'd)

Geographical segments

Revenue and non-current assets information based on the geographical locations of customers and assets respectively are as follows:

	Singapore		PRC and Hong Kong		British Virgin Islands		Australia		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue										
External services	**–**	–	**3,162**	2,793	**616**	931	**–**	–	**3,778**	3,724
Non-current assets	**270**	26	**–**	–	**6,501**	–	**–**	–	**6,771**	26

Segment results

Performance of each segment is evaluated based on the profit or loss for each segment.

Segment assets

The amounts provided to management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the asset attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments.

Segment liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments.

Information about major customer

Revenue of approximately HK$3,762,000 (2018 - HK$3,037,000) are derived from four (2018 - three) external customer and are attributable to the Financing Business.

29 Dividend

The Company and The Group	**2019** **HK$'000**	2018 HK$'000
Final tax-exempt (one-tier) dividend in respect of the previous financial year of Nil Hong Kong cents (2018 - in the respect of FY2017 of 0.38 Hong Kong cents) per share	**–**	2,011

STATISTICS OF SHAREHOLDINGS

As at 20 March 2020

Number of shares	525,630,328
Class of shares	Ordinary shares
Voting rights of ordinary shareholders	One vote per share
Number of treasury shares	Nil
Number of suibsidiary holdings	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	65	8.13	507	0.00
100 - 1,000	106	13.27	60,775	0.01
1,001 - 10,000	147	18.40	935,807	0.18
10,001 - 1,000,000	454	56.82	72,701,393	13.83
1,000,001 AND ABOVE	27	3.38	451,931,846	85.98
TOTAL	**799**	**100.00**	**525,630,328**	**100.00**

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the register of shareholders and to the best of knowledge of the Company, approximately 29.37% of the total issued ordinary shares of the Company is held by the public as at 20 March 2020 and accordingly, the Company is in compliance with Rule 723 of the SGX-ST Listing Manual Section B: Rules of Catalist.

The Company has no treasury shares and subsidiary shareholdings as at 20 March 2020.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	ZHOU DAN	120,000,000	22.83
2	HSBC (SINGAPORE) NOMINEES PTE LTD	119,853,600	22.80
3	CHIN FOOK LAI	69,022,400	13.13
4	QUAD SKY LIMITED	53,700,000	10.22
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	18,335,700	3.49
6	BEH KIM LING	17,025,000	3.24
7	CHIN FAH	8,464,350	1.61
8	HONG THYE HOLDINGS PTE LTD	4,650,000	0.88
9	STONE FOREST PTE LTD	4,650,000	0.88
10	CITIBANK NOMINEES SINGAPORE PTE LTD	4,012,500	0.76
11	CHIN FOOK CHOY	3,994,500	0.76
12	LIM TENG SAY	2,998,000	0.57
13	OCBC SECURITIES PRIVATE LIMITED	2,544,592	0.48
14	CHEN LIJING	2,292,000	0.44
15	PHILLIP SECURITIES PTE LTD	2,254,889	0.43
16	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,102,400	0.40
17	DBS NOMINEES (PRIVATE) LIMITED	2,074,315	0.39
18	CHUA KOK HIN	1,905,900	0.36
19	KAM SOON HUAT	1,800,000	0.34
20	SIM YEE	1,650,000	0.31
	TOTAL	**443,330,146**	**84.32**

STATISTICS OF SHAREHOLDINGS

As at 20 March 2020

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	Deemed Interest	Total	%
Zhou Wen Jie (1)	119,750,600	–	119,750,600	22.78%
Zhou Dan (1) (2)	120,000,000	–	120,000,000	22.83%
Ben Lee (1) (2)	–	120,000,000	120,000,000	22.83%
Quad Sky Limited (3)(4)	53,700,000	–	53,700,000	10.22%
Head Quator Limited (3)	–	53,700,000	53,700,000	10.22%
Ong Chor Wei (3)	3,150,000	53,700,000	56,850,000	10.82%
Wingate Investment Corporation (4)	–	53,700,000	53,700,000	10.22%
Yung Fung Ping (4)	–	53,700,000	53,700,000	10.22%
Chan Mei Sau (4)	–	53,700,000	53,700,000	10.22%
Chin Fook Lai	69,022,400	–	69,022,400	13.13%

Notes:

(1) Zhou Wen Jie is the brother of Zhou Dan and the brother-in-law of Ben Lee. Mr Zhou's interest arises from shares held in the name of HSBC (S) Nominees Pte Ltd.

(2) Zhou Dan is the wife of Ben Lee. Ben Lee is deemed interested in the shares held by Zhou Dan.

(3) Ong Chor Wei @ Alan Ong is deemed interested in the shares held by Quad Sky Limited by virtue of him owning 100.0% of the equity interest in Head Quator Limited which in turn owns 50.0% of the equity interest in Quad Sky Limited.

Head Quator Limited is deemed interested in the shares held by Quad Sky Limited by virtue of it owning 50% of the equity interest in Quad Sky Limited.

(4) Wingate Investment Corporation is deemed interested in the shares held by Quad Sky Limited by virtue of it owning 50% of the equity interest in Quad Sky Limited.
Yung Fung Ping and Chan Mei Sau are deemed interested in the shares held by Quad Sky Limited by virtue of them each owning 50% of the equity interest in Wingate Investment Corporation which in turn owns 50% of the equity interest in Quad Sky Limited.

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Zhou Wen Jie
(Non-Independent Non-Executive Chairman)

Ong Chor Wei@Alan Ong
(Executive Director and Chief Executive Officer)

Ben Lee
(Non-Independent Non-Executive Director)

Chin Fook Lai
(Non-Independent Non-Executive Director)

Cheung King Kwok
(Lead Independent Non-Executive Director)

Francis Lee Fook Wah
(Independent Non-Executive Director)

Wu Houguo
(Independent Non-Executive Director)

Chung Wai Man
(Independent Non-Executive Director)

Wong Chun Hung
(Independent Non-Executive Director)

AUDIT COMMITTEE / RISK MANAGEMENT COMMITTEE:

Cheung King Kwok *(Chairman)*

Francis Lee Fook Wah

Wu Houguo

REMUNERATION COMMITTEE:

Francis Lee Fook Wah *(Chairman)*

Cheung King Kwok

Wu Houguo

Wong Chun Hung

NOMINATING COMMITTEE:

Cheung King Kwok *(Chairman)*

Francis Lee Fook Wah

Wu Houguo

Chung Wai Man

Ben Lee

COMPANY SECRETARIES:

Gn Jong Yuh Gwendolyn, LLB (Hons)

Chong Kian Lee, CA

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SHARE REGISTRAR:

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AUDITORS:

Foo Kon Tan LLP
Public Accountant & Chartered Accountants, Singapore
24 Raffles Place, #07-03 Clifford Centre
Singapore 048621

Partner-in-charge:
Chan Ser
(appointed from financial year ended 31 December 2019)

SPONSOR:

PrimePartners Corporate Finance Pte. Ltd
16 Collyer Quay, #10-00 Income at Raffles
Singapore 049318

Contact person:
Ms Gillian Goh
Director, Head of Continuing Sponsorship

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